| | | |
|---|---|---|
| Austria .... Sch. 18 | Indonesia .. Rp 2500 | Portugal .... Esc 80 |
| Bahrain .. Din.0.650 | Italy ....... L 1300 | S. Arabia .. Rls 6.00 |
| Belgium .... BFr.42 | Japan ...... Y550 | Singapore . S$ 4.10 |
| Canada .... C$1.00 | Jordan .... Fils 500 | Spain .... Pta 110 |
| Cyprus .... C£0.60 | Kuwait .... Fils 500 | Sri Lanka ... Rup 30 |
| Denmark .. Dkr.7.25 | Lebanon .. £L 6.00 | Sweden .. Skr 6.50 |
| Egypt .... E£1.00 | Luxembourg . LFr.42 | Switzerland SFr2.20 |
| Finland .. Fmk 6.00 | Malaysia .. Rin 4.25 | Taiwan ... NT $65 |
| France .. FFr. 6.00 | Mexico .. Pes. 300 | Tunisia .. Din 0.600 |
| Germany . DM 2.20 | Morocco .. Dh 6.00 | Turkey .... L 210 |
| Greece ..... Dr 70 | Netherlands . Fl 2.50 | U.A.E. ... Dh 6.50 |
| Hong Kong . HK$ 12 | Norway .. Nkr. 6.00 | U.S.A. .... $1.00 |
| India .... Rup. 15 | Philippines . Pes. 20 | |

# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,701 | Wednesday August 14 1985 | D 8523 B


Why sanctions cannot be assured of success, Page 11

World news

## Four survive Japan air crash

Two women and two girls appear to be the sole survivors of Japan Air Lines Boeing 747 which crashed with 524 passengers and crew on board in mountainous countryside 75 miles north-west of Tokyo.

The survivors had to be lifted by military helicopter from the remote area. Rescue operations were called off after about 50 bodies had been recovered.

The accident is likely to cause aviation underwriters to reconsider their rates on what was regarded as the safest airliner in operation. Page 3

### Rebels seize town

Uganda's most powerful rebel group has seized control of Masaka, the country's third-largest town, said travellers returning from the area. In Dar es Salaam peace talks with Uganda's new military rulers failed to take place.

### Anti-Marcos move

Philippines' ruling New Society Movement blocked an opposition motion calling for the impeachment of President Ferdinand Marcos.

### Miners killed

Twenty one miners died and 27 were injured in a methane gas explosion at the state-owned coal mine at Secunda near Johannesburg.

### Businessman killed

Gunmen on a motorcycle shot and killed a leading Guatemalan businessman as he drove through the city.

### Union Carbide leak

Union Carbide, the U.S. chemicals company, said that the gas involved in the leakage at its Institute, West Virginia plant was "10 times less toxic" than the chemical which killed more than 2,000 people at the group's Bhopal plant in India. Page 4

### India train blast

Two people were killed and several injured when an explosion ripped through a compartment reserved for troops on a train in northern India.

### Israeli land probe

A Tel Aviv District Court remanded three Israelis for 15 days while police investigated whether large tracts of private land were acquired fradulently in the occupied West Bank.

### Soldier's 'murder'

West German police said they were considering evidence that the Red Army Faction guerrilla group murdered a U.S. soldier to carry out a car bomb attack on the U.S. Rhein-Main air base. The guerrillas may have used his identity papers to enter the base.

### Secret airstrips

Peruvian Attorney General Cesar Elejalde said there were more than 250 clandestine airstrips from which the raw material for more than half the world's cocaine was flown out.

### Black Sea escape

Two Soviet engineers crossed the Black Sea in a rubber boat and asked for political asylum in Turkey.

### Building collapses

At least 43 people were killed and 75 injured when a residential building in Bombay collapsed.

### Politician quits

Former Danish Foreign Minister Kjeld Olesen, a leader of the opposition Social Democrats, has left politics after admitting making false accusations against Danish security services.

Business summary

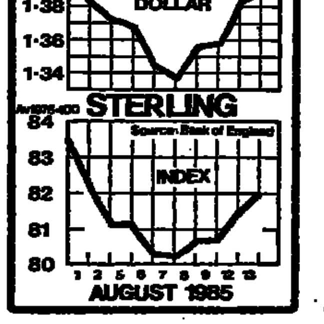
## U.S. to review trade policy

THE Reagan Administration began a review of its trade policy, in response to mounting political and commercial pressures, according to Mr Bruce Smart, the new under-secretary for International Trade at the Commerce Department. Page 4

WALL STREET: At 2pm the Dow Jones industrial average was 4.03 higher at 1,318.32. Page 30

TOKYO shares lost ground on a reduced turnover. The Nikkei-Dow market average fell 48.17 to 12,328.71. Page 30

LONDON equities closed lower after early support. The FT Ordinary share index closed 4.6 lower at 959.6. Gilts were marginally firmer. Page 30




STERLING was firmer in London, gaining 60 points to $1.3895. It also improved to DM 3.875 (DM 3.8675), SwFr 3.2 (SwFr 3.185), FFr 11.84 (FFr 11.82) and Y330.25 (Y328.0). The pound's exchange rate index rose to 82.0 from 81.5. Page 23

DOLLAR lost ground in nervous London trading, closing at DM 2.784 (DM 2.7975), SwFr 2.2975 (SwFr 2.304) and FFr 8.51 (FFr 8.5525). It was slightly firmer at Y237.25 (Y237.2). On Bank of England figures, the dollar's exchange rate index fell from 137.1 to 136.5. Page 23

GOLD rose $0.25 on the London bullion market to $326.25. It lost $0.50 in Zurich, also to $326.25. Page 22

JAPAN should not try to solve its trade imbalance with the U.S. by indulging in export restraints, according to the new U.S. Trade Representative Clayton Yeutter. Page 4

U.S. retail sales climbed a modest 0.4 per cent in July, the Commerce Department reported, dimming hopes for a strong consumer-led recovery of the sluggish economy. Page 4

U.S. NAVY said it lifted a ban on contracts to General Dynamics and would award more than $1bn in work to the company's Electric Boat and Pomona divisions. The Navy suspended contracts in May after disputes over work and overhead bills.

STANDARD CHARTERED became first UK bank to try to boost its capital by offering to swap floating rate notes that do not qualify as primary capital under the Bank of England's rules for new ones that do. Page5; Lex, Page 12

NATIONAL Westminster Bank, of the UK, has sold its 49.8 per cent stake in Diners Club UK to its former partner in the charge card company, Citicorp of the U.S. Page 6

FRENCH new-car registrations totalled 184,857 in July, 14.8 per cent more than in July 1984 according to the Car Manufacturers Association.

TWA, the embattled transatlantic U.S. airline, deferred a decision on the two rival bids for the company as it sought to resolve the power struggle between Texas Air and Mr Carl Icahn, Wall Street investor. Page 13

RUPERT MURDOCH agreed in principle to buy Metromedia Producers Corporation, distributor of the U.S. TV soap opera Dynasty, at a cost of between $20m and $40m. Page 13

GENERAL MOTORS, the world's biggest car group, is to spend about $575m to modernise its metal-stamping plant at Marion, Indiana. Page 13

# Pretoria dampens hopes for major apartheid reforms

BY MICHAEL HOLMAN AND JIM JONES IN JOHANNESBURG

THE SOUTH AFRICAN Government yesterday dampened hopes that President P.W. Botha would announce major political reforms tomorrow night in an attempt to quell continuing violence which yesterday included a petrol bomb attack on the home of Mrs Winnie Mandela, wife of the detained nationalist leader.

Mrs Mandela has not been living in her home since a police raid last week. She has said that security police were to blame, while police say "arsonists" were responsible.

Mr Botha's scheduled speech to the Natal congress of the ruling National Party had been billed as likely to contain substantial changes to apartheid laws. But signals yesterday from a senior Government minister, the state-controlled radio and a pro-government newspaper suggested a co-ordinated attempt to quell speculation and end what the radio called "flights of fancy."

Dr Gerrit Viljoen, Minister of Co-operation, Development and Education, whose portfolio embraces most laws affecting blacks, told a National Party meeting in Pretoria on Monday evening that the Government "envisages reform only within the framework of South Africa's diversity of peoples."

In South African terminology that suggests no fundamental change to apartheid. To underline this, Dr Viljoen, who is one of the most powerful cabinet ministers, assured the party faithful that reform envisaged by the Government entailed maintenance of separate residential areas, separate schools, separate educational departments and separate political representation.

The impact of the minister's speech was underlined by Mr Stephen Solarz, a U.S. Congressman and staunch opponent of South Africa, following a meeting with President Botha in Pretoria on Monday.

Before the weekend and after discussions with other cabinet ministers, Mr Solarz had declared his confidence that the South African Government was planning major changes.

On Monday night, however, he said that after talks with Mr Botha he was less optimistic about either peaceful change in South Africa or the unconditional release of Mr Nelson Mandela, leader of the banned African National Congress.

As a result, Mr Solarz said, the U.S. Senate was likely next month to approve anti-apartheid legislation already passed by the House of Representatives.

In its daily commentary yesterday, South African radio – which generally reflects government thinking – appeared to backtrack on some of the high hopes it raised last week when it suggested that a major policy statement was imminent. Any reform, it said yesterday, should acknowledge two "fundamental political realities."

The first was the right of minority groups to manage their own affairs and maintain their life-style free of interference. The second, said the radio, was the interdependence of these groups. Although the language was coded in part, the central message suggests that fundamental reforms are out of the question.

The same message came from The Citizen, a pro-government newspaper, which warned that only small changes were likely to be announced in Durban, and suggested that changes to the homeland system were unlikely, as was any unconditional release of Mr Mandela.

If Mr Botha's speech proves an anti-climax, it could harm South

Continued on Page 12

Profile of Mandela, Page 3; why sanctions are not assured of success, Page 11

# Sanko seeks protection but hopes for revival

BY CARLA RAPOPORT IN TOKYO

SANKO STEAMSHIP, the world's largest tanker operator, filed yesterday for protection under Japan's bankruptcy laws, with current liabilities of about Y520bn ($2.2bn).

Including future liabilities and debts owed by subsidiary companies, Sanko's total debts are estimated at about Y1,000bn, making its collapse the largest on record in Japan.

Speaking at a district court in Kobe yesterday, Sanko executives said they hoped the company would emerge from the court procedures in a new fitter form, perhaps with a smaller fleet. The company apologised to shareholders and customers for the collapse and called on its bankers and its clients among the Japanese trading companies to assist it through the next few months.

**Mr Toshio Komoto, former head of Sanko Steamship, made clear that he intended to try to continue as leader of a political faction within Japan's ruling Liberal Democratic Party, but the future of his group was in doubt as Mr Yasuhiro Nakasone, the Prime Minister, accepted his resignation as State Minister for external economic relations. Page 3**

Daiwa Bank, Sanko's leading creditor, said in a statement yesterday that the collapse was "regrettable" and that it would help to lend assistance to the company in future if that would help the group emerge from the collapse in more viable form. Daiwa was speaking on behalf of Sanko's main creditors, which include Tokai Bank, and the Long-Term Credit Bank.

The news was accepted calmly in Tokyo markets yesterday. Sanko's major creditors did not suffer large falls in their share prices.

Daiwa Bank, which is owed Y100bn, said that its "hidden reserves" exceeded Y500bn and could easily cover its losses on Sanko's collapse. Japanese banks' hidden reserves are largely composed of equities bought years ago and valued at their purchase price, not their current worth.

Sanko has filed for protection under Japan's Corporate Rehabilitation Law. Under this system, a court-appointed trustee will investigate Sanko's affairs and decide

Continued on Page 12

# Bundesbank set to cut rates

BY JONATHAN CARR IN FRANKFURT

THE West German Bundesbank – the central bank – looks set to cut its key lending rates shortly, barring a highly unexpected surge in U.S. interest rates and the dollar.

The action could come at tomorrow's meeting of the policymaking central bank council, the first after the summer vacation. But if the council members finally decide to delay, cuts in discount and Lombard rates, probably of ½ point, will be all the more likely at the next meeting a fortnight later.

Many people believe the reductions are overdue. The Bundesbank last dropped its key rates in March, 1983, and in the meantime has raised them again to a current level of 4.5 per cent for the discount and 6 per cent for the Lombard.

That rise might well have seemed justified against the background of the soaring dollar, capital outflows from Germany and a danger of imported inflation. But the D-Mark has now strengthened to less than DM 2.80 to the dollar (compared with the high of DM 3.47 in February) and inflation is running at only about 2.3 per cent at an annual rate. The long-term capital account is also improving, with a surplus of DM 948m in June compared with a deficit of DM 5.9bn in the same month last year.

A key reason for the improvement is that foreigners are investing heavily in German stocks and bonds, evidently in the strengthening belief that the so-called "fundamentals" – trade and current account surpluses together with the inflation rate – indicate further D-Mark appreciation.

Apart from that external, currency argument, there are strong reasons why the German domestic economy needs all the interest rate cuts it can get. There are still more than 2.2m people unemployed, and it is not certain that if the export boom fades, domestic demand will be buoyant enough to make up for it.

Hence the Bonn Government's increasingly frequent appeals to the banks to pass on the benefit of cheaper refinancing costs to their customers (not least to medium-sized enterprises especially vulnerable to high interest rates).

The Bundesbank can fairly argue that it has been encouraging a fall in domestic interest rates; not by banging the "big drum" and dropping discount and/or Lombard, but by using sophisticated, relatively noiseless, open market conditions. Its key instrument has been the so-called *Wertpapierpensionsgeschäfte* – under which the Bundesbank buys securities on condition that the selling banks repurchase them forward.

By means of these "repurchasing agreements," the central bank has not only weaned the banks away from their previous, excessive reliance on Lombard borrowing, a facility intended to provide only temporary injections of liquidity. It has also been able to coax down money market rates by a judicious mix of "fine tuning" and psychology.

If this system works so well, why not continue with it and leave the key rates unchanged? One technical reason is that the gradual downward trend of rates generally has made the "official corridor" (between Lombard at 6 per cent and discount at 4.5 per cent) look a bit redundant.

The second reason has more to do with psychology and public relations. The struggle for lower unemployment and more economic growth remains the biggest national concern.

Money markets, Page 23

# Unilever slips as competition halves U.S. profits

By Frank Kane in London

UNILEVER, the Anglo-Dutch foods and consumer products group, said yesterday that its pre-tax profits fell by £8m to £266m ($370m) in the second quarter, leaving its first-half figures only 4 per cent ahead at £484m.

The disappointing performance was a result of two main factors: severe competition in the U.S., where profits may have fallen by as much as 50 per cent, and problems in the edible fats and detergents operations in Europe, especially in West Germany.

Analysts forecast last night that the full year would show a further profit decline, possibly to around £900m, depending on exchange rates. Last year Unilever made £924m pre-tax.

The gloomy outlook pushed the group's shares down £¼ to £10 in London. The Dutch shares, also traded in London, closed £¾ down at £45.25. In Amsterdam, however, Unilever shares gained Fl 3 to Fl 329.50.

Unilever has spent heavily on promotion of its U.S. brands of shampoo and detergent, and has been engaged in a "pump-pack" war with Colgate for the market in the new type of toothpaste dispenser.

Its edible fats operations in Europe have been squeezed at the margins by other "melange" products, and one analyst suggested that the sale last Christmas of cheap EEC surplus butter also hit its market share. Restructuring costs associated with these operations cut the group's profit margins.

In West Germany, Unilever has been carrying out a reorganisation programme in both its detergent activities, and this has meant the running-down of surplus capacity and a reshuffle of senior management. The company said yesterday that it did not expect to see the benefits of the German reorganisation until 1986.

Sales for the half year were 17 per cent ahead at £9.26bn, but slowed slightly in the second quarter, and the overall sluggishness of sales – with low volumes especially in West Germany – was seen by analysts as a bad omen for the year.

On the plus side, the company said that its operations outside Europe and North America had performed well, with operating profits some 25 per cent up and an especially good result from detergents in the quarter. They also pointed to the positive, but unspecified, contribution from Brooke Bond, acquired last year. Excluding Brooke Bond, profits in Europe were fairly flat.

Lex, Page 12; Details, Page 16

# U.S. holds up Sino-French high-tech deal

BY DAVID MARSH IN PARIS

THE U.S. Government is holding up export by France to China of a sophisticated business communications system because of fears that the equipment could be used for military purposes.

The action underlines Washington's continued sensitivity about high-technology trade with China, despite recent efforts, spearheaded by the U.S. itself, to ease restrictions. The issue is believed to have left the U.S. virtually isolated in the 15-member Paris-based Co-ordinating Committee (CoCom), which vets Western sales to Communist countries.

Sesa, one of France's top computer software companies which is controlled by the state-owned Compagnie Générale d'Electricité (CGE) group, says an order to supply the communications system for the cities of Peking and Shanghai has been held up since May because of the U.S. action.

French Government officials, confirming the U.S. move, said yesterday they found it "bizarre" but added that they hoped that ways could be found to allow the deal to go through. CGE officials played down any question of a confrontation with the U.S. over the issue and stressed that the group would respect CoCom's administrative procedures.

The contract – for a packet-switching network modelled on the French Transpac system which allows computerised data to be passed over telephone lines – is relatively small at about FFr 20m to FFr 30m ($2.3m to $3.5m). But Sesa said it regards the deal as likely to lead to fresh orders to help build up the Chinese telecommunications system, an area in which the CGE group has already this year won a number of important contracts.

The Sesa order comprises both computer hardware and software. The company has already sold a similar system to Taiwan.

French officials said the Sesa order, which is still under review by CoCom, may have been held up because the U.S. was suspicious about the relatively advanced nature of the system. Britain and other European countries, on the other hand, voted for the deal to go through.

As a sign that other high-technology deals with China are being handled on a more liberal basis, a FFr 500m contract won in January by Alcatel-Thomson has gone through CoCom procedures with no problems. The civil telecommunications

Continued on Page 12

China sentences U.S. businessman, Page 3

# UK backs Jordanian arms deal with loan

BY RICHARD JOHNS IN LONDON

ELECTRONIC WARFARE equipment and other high-technology items are expected to figure prominently in a list of British defence supplies to be purchased by Jordan through a £270m ($372m) financing facility backed by the UK Government.

The mandate for arranging the loan has been awarded by the Jordanian Government to a consortium led by Morgan Grenfell. Its other members are the Midland Bank and the Arab Bank Investment Company.

The loan package is covered by the Export Credits Guarantee Department and is understood to include a substantial subsidy element meaning that the average rate of interest to be paid by the Jordanian Government will be in the 8 to 9 per cent range, significantly below the 11.2 per cent consensus rate for the country.

The consortium is beginning talks with the Jordanian Government on the possibility of topping up the facility with extra lending on straight commercial terms. Jordan has a good credit rating and a $250m syndicated loan raised earlier this year by the Arab Bank was oversubscribed.

It is believed that Javelin ground-to-air missiles manufactured by Short Brothers of Belfast will not be involved in the deal despite the U.S. Administration's refusal under pressure from the pro-Israeli lobby on Capitol Hill 18 months ago, to permit the sale to Jordan of its American rival, the Stinger.

Subsequently, Jordan ordered Soviet missiles including the hand-held, Sam 7 "Grail" under very favourable credit terms. For the time being, King Hussein appears to be reconciled to Soviet anti-aircraft missile systems.

Mid-East peace moves, Page 3



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## RESOURCES REVIEW

# How Finland's largest mining company is coping with a sea change

By Olli Virtanen in Helsinki

FINLAND'S SIZABLE mining industry, the largest in Western Europe, is undergoing a sea change.

The country has traditionally been an important producer of copper, zinc, cobalt, chromium and nickel. But faced with depleting domestic mineral resources, it is having to look abroad with increasing vigour for its raw materials. As a result, metal processing is playing an ever-greater role in the industry's activities.

The hunt for new supplies is being led by state-owned Outokumpu, by far the largest Finnish mining company and the largest producer of nickel and chromium in Western Europe. Its problem is plain: four of its nine operating mines are due to close by the end of this decade.

Not that the company is unduly worried. For last year it reported pre-tax profits of FM 449m (£55m)—an increase of more than 300 per cent over depressed 1983.

So far this decade, Outokumpu has managed to maintain its excavation level at roughly 5m tonnes of ore per year. The company's own minesch produce about half of the concentrates used in its metal production.

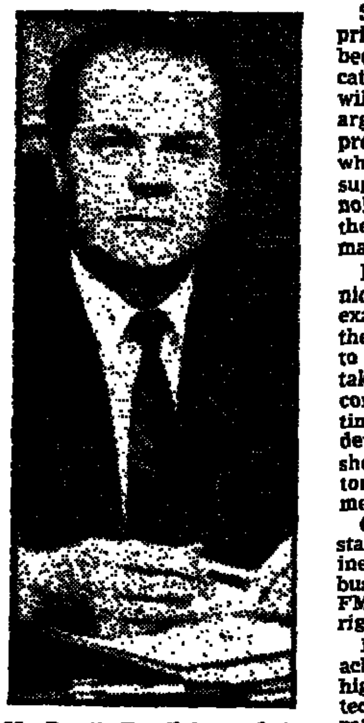
It has also kept up momentum by boosting imports of concentrates, diversifying its operations and raising their added-value content.

The company began to import concentrates at the end of the 1960s, when it built a large zinc plant whose capacity could not be filled simply from domestic production.

Since then, the Finnish metallurgical industry has developed apace. In the last 10 years alone, the country has invested about FM 5.5bn (£679m) in metal production.

Outokumpu now has plants for zinc, cobalt, nickel and anode copper and copper electrolytes. Total sales of its metallurgical division last year stood at FM 1.99bn—more than 40 per cent of the total—with 88 per cent of that going for export.

Mr Pertti Voutilainen, Outokumpu's chief executive, seems unconcerned about the company's depleting domestic resources and increasing reliance on foreign concentrates, for several reasons.



Mr Pertti Voutilainen, Outokumpu's chief executive

First, he says it does not cost much to ship concentrates to Finland; as he calculates it, to ship material across the Atlantic is no dearer than to transport it by rail from eastern Finland—where Outokumpu mine, the company's birthplace, lies—to the company's plants on the west coast.

Secondly, he believes that the price of raw materials will sink because of new, more sophisticated excavation methods. This will help Outokumpu—so the argument goes—by lowering its production costs and putting what Mr Voutilainen regards as superior Finnish mining technology to better use both within the country and in export markets.

He cites the new Finnish nickel mine at Enonkoski as an example. Construction work at the new underground mine, due to open early next year, will take only about 18 months, compared with a normal lead time of five to six years in a developing country. The mine should be a formidable competitor because of its efficient mechanised operations.

Outokumpu has an important stake in manufacturing machinery for the mining and metals businesses, which is now a FM 1bn industry in its own right in Finland.

Nevertheless, the company acknowledges that neither highly developed excavation techniques nor increased exploration will do—even as stopgap measures. To ensure a smooth flow of imports, Outokumpu has bought equity in foreign mining companies, and its long-term aim is to obtain at least half its imports from mines in which it is a shareholder:

● The company is most active in Norway where it owns 50 per cent of Løkken Gruber. It bought 100 per cent of Bidjovakke Gruber last year. The Løkken mine had an output of 275,000 tonnes of ore which yielded 5,310 tonnes of copper and 3,280 tonnes of zinc last year. The Bidjovakke mine was reopened recently and its copper content will average about 1,800 tonnes annually for the next four years.

● In Canada Outokumpu has a 9.2 per cent holding in Trout Lake mine which last year produced 446,000 tonnes of ore containing 10,000 tonnes of copper and 12,700 tonnes of zinc.

● Outokumpu is a shareholder in a number of exploration ventures around the world. Most notable targets at the moment are Canada and Mexico. The company has also shown interest in prospecting in Ireland, the U.S., Chile and Peru.

What makes Outokumpu different among international mining companies is its highly developed integration. A mine and a smelter together is relatively common, but an operation handling concentrates which contain a variety of metals and producing metals and metal products from it is fairly rare.

For example, Outokumpu is probably the only company in the world that controls the whole production process for stainless steel, from raw material to refined products.

At the same time the company has invested in other downstream activities, concentrating on more refined products. "Finland doesn't export logs but paper. We aim at the same principle," says Mr Vontilainen.

Last year output of semi-finished copper products rose by 15 per cent to 62,800 tonnes.

**OUTOKUMPU'S OUTPUT**

The company's main products in 1984

| | Production (tonnes) |
|---|---|
| Cobalt | 1,450 |
| Cathode copper | 57,300 |
| Semi-finished copper | 62,800 |
| Nickel | 15,300 |
| Zinc | 158,900 |
| Stainless steel | 131,500 |
| Ferro-chrome | 58,600 |

The Finnish company has also bought two American copper mills, Nippert and Valleycast in order to develop further their copper refining.

Stainless steel is another fast developing sector at Outokumpu. Based on the Kemi chromium mine and the company's own technology the division seems to have a brighter future than many of the others. Heavy investments in new production facilities are likely to continue.

This spring Outokumpu completed expansion of its ferro-chrome production capacity to 120,000 tonnes. Last year the plant produced 58,600 tonnes

Also this spring the company decided to invest FM 600 m in a new hot rolling mill which is due to be switched on at the end of 1986.

Outokumpu's stainless steel works produced 158,000 tonnes of steel slabs and 131,000 tonnes of rolled stainless steel products last year, an increase of 50 per cent over 1983.

But whatever the merits of Outokumpu's stainless steel operation as an example of metal fabrication in Finland, generally speaking it is not the shape of things to come.

Mr Voutilainen is a strong believer in internationalisation. "If we had to start from scratch today," he says, "we probably wouldn't do any fabrication in Finland. We would go to where the raw material is."

In any case, Outokumpu has another card up its sleeve: technology. In the post-war years the company lived comfortably thanks to rich copper deposits in the two mines at the village of Outokumpu. This enabled it to develop new techniques almost as a hobby. It has produced a number of world firsts.

The best known in mining circles is the flash smelting process, first developed in the early 1950s for smelting copper and later adapted to nickel and lead. Outokumpu has sold over 30 licences for the process to date. Flash smelting has two significant advantages over conventional melting process.

First, the process requires little extra fuel because it can use energy contained within the raw material itself. Secondly, sulphur which is generated by the process can be used to make sulphuric acid, potentially of great importance in an era of environmental concern.

Another example of Outokumpu's adaptations is the metal detector. Originally developed to detect metal on mine conveyor belts, it was re-designed for use at airports and in high-security areas. Outokumpu has delivered metal detectors to Capitol Hill and the White House, and now boasts a 40 per cent world market share.

Recently, the company ventured further into this field by buying Princeton Gamma-Tech, a New York-based manufacturer of specialised metal analysers. This gave Outokumpu an estimated 20 per cent share of the market for these devices.

Another area in which the company has diversified is ferro-chrome technology. Since 1980 five ferro-chrome plants have been commissioned around the world—four of which are based on Outokumpu's technology.

The newly-developed sector which fits perhaps least well into the Outokumpu group is electronics. It ventured into this area initially to develop control systems for the mining and metallurgical industries.

But recently the company has expanded to make silicon wafers in conjunction with the Finnish electronics company Nokia—a a business which Mr Voutilainen admits displays limited synergy with its central metals operations. Outokumpu also has a 25 per cent share in a Finnish company manufacturing integrated circuits.

Indeed, although the company prides itself on its integration and frowns on those who pursue diversification for its own sake, it could be argued that Outokumpu is beginning to ape its competitors.

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## EUROPEAN NEWS

### Austerity urged by Greek bank chief

By Andriana Ierodiaconou in Athens

MR DIMITRIS Chalikias, governor of Greece's central bank, has defended a spate of unpopular price increases on petrol, sugar and bread, announced by the Socialist Government at the end of last week.

The governor warned at a press conference that a package of stringency measures carrying "a certain short-term cost," including higher prices and taxes, cutbacks in public spending and the trimming of the existing system of wage index-linking, was necessary to tackle double-digit inflation and high current account and public sector deficits.

"The long-term benefits will offset the cost," Mr Chalikias said. The annual rate of inflation in Greece is running at 17.7 per cent – well above the EEC average – against an official target of 16 per cent for 1985. The current account deficit reached $2.182bn in 1984, while the overall public sector deficit is running at 15.5 per cent of GNP.

Mr Chalikias denied, however, that a devaluation of the drachma was either necessary or imminent and he warned that persistent speculation on the subject was damaging the balance of payments by exacerbating imports while slowing down exports.

The Greek drachma was devalued by 15 per cent in January 1983, midway through the Socialists' first term in office. Since then the authorities have followed a policy of allowing it to slide against international currencies. According to the central bank the drachma has depreciated by approximately 20 per cent against European currencies in the interval, and by more than that against the dollar, with an 8 per cent slide in the first three months of 1985 alone.

The central bank governor cited low productivity and poor competitiveness at the top of the list of Greece's economic problems. He said the volume of foreign products on the Greek market had increased by 3.5 per cent against domestic products and he added that although between 1974 and 1983 real hourly earnings rose by 83 per cent, productivity only improved by 23 per cent.

Mr Chalikias, who cautioned against "unsustainable" foreign borrowing trends in a report on the economy in April, said this week that Greece's overall foreign debt stood at more than $13bn.

The governor said that the Bank of Greece might seek a second loan on the international capital market before the end of 1985, beyond the $450m credit secured in the first half of this year. He said that public sector organisations, such as the Organisation of Telecommunications of Greece and the Public Power Corporation were also seeking loans on the international market.

### Austrian wine row claims its first financial victims

BY PATRICK BLUM IN VIENNA

A COMPANY of Austrian wine merchants was declared bankrupt yesterday making it the first financial victim of Austria's doctored wine scandal.

Brüder Grill, a small company run by brothers Josef and Richard Grill based in Fels am Wagram some 60 km west of Vienna, was declared bankrupt by a local court in Krems near the company's headquarters after accumulating debts of Sch 128m ($6.5m).

A spokesman for the Credit Protection Association said yesterday that this was the first case of bankruptcy connected with the wine scandal.

The two brothers were among the first to be arrested after it was revealed that a number of Austrian wines had been doctored with diethylene glycol to sweeten them. The chemical can cause serious brain and kidney damage.

A large number of wine merchants and producers have been implicated in the scandal, which has halted Austrian wine exports and seriously damaged Austria's image abroad. So far, some 40 people have been arrested and all except two who made full confessions are still being held pending fraud investigations.

The Credit Protection Association spokesman said yesterday that the company had assets worth about Sch 70m and the two brothers' personal assets were estimated at about Sch 15m but this left them unable to cover their debts.

The company employs more than 100 people, who will receive some payment in compensation for the loss of their jobs. "The problem now is that the people do not have a job any more," the spokesman said.

Other companies are also in financial trouble and the spokesman suggested that more bankruptcy cases were on the way. "We know that some firms have financial problems. We cannot say yet whether there will be other bankruptcies but there might well be because many of the dealers are in prison so they cannot do their business," he said.

Meanwhile, the Government is preparing a stringent law that will impose tighter controls on wine, including mandatory formats for information on labels to prevent a repetition of the scandal.

● A minister and two other officials in the West German state of Rheinland-Palatinate have become the country's first political victims of the wine scandal, Reuter Reports from Mainz. Herr Bernhard Vogel, the state's governor, said he had asked Herr Ferdinand Stark, Agriculture and Wine Minister, to retire. The other officials were being transferred from their posts as chief and deputy head of the ministry's wine department.

The West German federal health ministry this week listed 27 German and 803 Austrian wines found to contain a potentially lethal chemical used to make car anti-freeze. The Governor said that Herr Stark had reacted "wrongly" and with "poor judgement" to the discovery of adulterated wines imported from Austria.

● French wine-growers have smashed about 20,000 bottles of Spanish wine being taken by truck to Switzerland through the south-eastern French town of Narbonne, police told Reuter. They said that about 40 wine-growers attacked the truck on Monday evening in a highway rest area. The entry of Spain into the EEC at the first of next year has provoked angry protests from French, farmers, who fear that their price levels will be threatened.

### Turkish Cypriots find changes in UN plan

ANKARA – The Turkish Cypriots' reply to the latest UN peace plan for the island argues that major changes have been made to a draft agreement which they accepted in January, diplomatic sources said yesterday.

The sources said it was neither an acceptance nor a rejection of the latest bid by Sr Javier Perez de Cuellar, the UN Secretary-General, to establish a Federal Republic of Cyprus between the divided ethnic Greek and Turkish communities.

The reply was handed to Sr Perez de Cuellar's acting representative on the island, Mr James Holger, last week.

What Sr Perez de Cuellar had indicated were cosmetic changes in fact breached principles accepted earlier, the sources said. These included equal status of the two communities; "bizonality" – meaning separate zones; security; and equal and effective participation in the executive and legislature.

Citing an example, they said that a provision in Sr Perez de Cuellar's earlier document that any powers not specifically allocated to the central government would go to the federal states, had been left out of the revised version.

Sr Perez de Cuellar proposed to deal with this and some major security issues in a subsequent statement, an idea which the Turkish Cypriots oppose because of the possibility it opens for later differences of interpretation, the sources said.

President Spyros Kyprianou of Cyprus, at a meeting in January with Mr Rauf Denktash, the Turkish Cypriot leader, refused to sign the earlier draft which Mr Denktash had accepted.

The sources, who have seen the reply, said the proportion of the island for the Turkish Cypriots – earlier agreed as "29-plus" per cent – was now proposed to be "of the order of 29 per cent," opening the possibility that it could be less.

They also said that an earlier provision for the Turkish Cypriots to have an effective veto in 10 "major" areas of central government activity had been watered down to the establishment of a working group to decide which of these areas would be deemed "majo."

The sources said it was possible that Sr Perez de Cuellar would call or a meeting between himself and Mr Denktash to try to resolve the Turkish Cypriot arguments.

Reuter

Michael Holman, Africa Editor, examines the career and 21-year incarceration of ANC leader Nelson Mandela

# Peace hinges on the legendary hero of black S. Africa

IT WAS in June, 1961, that a black South African attorney, rapidly acquiring a national reputation in his own country but virtually unknown abroad, sent an ultimatum to the architect of apartheid and then Prime Minister, the late Dr Hendrik Verwoerd, demanding a national convention to draw up a non-racial and democratic constitution.

"There are two alternatives before you: either you accede to our demands . . . and you may still save our country from economic dislocation and ruin and from civil strife and bitterness. Alternatively you may choose to persist with the present policies which are cruel and dishonest . . . (and) which we shall never cease to fight against."

Dr Verwoerd did not deign to reply.

Many observers now believe that Mr Nelson Mandela, the man who wrote that letter and the imprisoned leader of the banned African National Congress (ANC), is one of the key figures who Dr Verwoerd's successors must release and negotiate with if the turmoil which has gripped South Africa is to end.

The 67-year-old Mandela is perhaps the only figure with sufficient authority and influence to provide South Africa with a lull to consider its constitutional future. This is the view of the ANC national executive, who gathered on June 16-23 in the Zambian town of Kabwe to plan the next step in their battle against white rule, the angry youth of riot-torn black townships across the republic, and it seems, several South African Cabinet ministers.

Many observers believe that Mr Mandela's response from his cell at Pollsmoor prison, near Cape Town, will make or break the much-heralded new initiative due to be announced by Mr P. W. Botha, the South African President, in Durban tomorrow night.

The initiative, according to some observers, could include the release of Mr Mandela as well as the introduction of some major reforms which only a few months ago would have seemed unlikely.

However, Mr Steven Solarz, the U.S. Congressman who has led the sanctions campaign in the House of Representatives, has dampened expectations that the Thursday speech will reveal significant changes.

After a meeting with Mr Botha on Monday, he said: "I am profoundly pessimistic about the prospects for peaceful change in South Africa and my meeting with the state President did not leave me any more optimistic." He said Mr Botha had given no hint of a plan to release Mr Mandela.

Mr Mandela's record during his years of liberty and over the past 21 years of detention, suggest he will vigorously reassert his call for more fundamental changes which should be discussed at a constitutional conference. He will most likely present Mr Botha with a dilemma: the only person who can stop the violence is also committed to Mr Botha's political demise and the overthrow of all the South African President has stood for.

Mr Mandela, like his friend and fellow attorney who is president of the ANC, Mr Oliver Tambo, was born in Umtata in 1918 in South Africa's Transkei—today a homeland—the eldest son of a chief.

It was a sign of his determination and abilities that he overcame the hurdle of racial discrimination that marked South Africa long before today's ruling National Party took power in 1948. Mr Mandela, after winning an arts degree by correspondence, took a law degree at the University of Witswatersrand in Johannesburg. He served his articles with a firm of white attorneys then set up in practice in Johannesburg with Mr Tambo, defying the racial restrictions of the day.

**Many observers now believe that the imprisoned leader (right) of the banned African National Congress is one of the key figures Pretoria must release and negotiate with if the turmoil which has gripped South Africa is to end.**

Mr Mandela joined the ANC (originally launched in 1912) in 1944 — it was not banned until 1960 — and soon won a reputation as a shrewd tireless organiser and an articulate speaker.

Although still a comparatively young man, Mr Mandela was to play a key role in all the major events that marked the growing confrontation between South Africa's unenfranchised black majority and the National Party Government formed after 1948.

Those events (building on numerous earlier acts of black opposition) are recalled today like a roll call of battle honours: the African mine strike in 1946 (which might have its contemporary parallel if the strike due to start later this month takes place); the national day of protest on June 26 1950; the 1952 "defiance" campaign against unjust laws; and the adoption by a "congress of the people" of the "freedom charter" in June 1955, a document which guides ANC policy to this day.

Its central assertion is a belief in democracy, non-racialism and an equitable society. The charter would have been remarkable in no other country than South Africa, where the Government treated it as revolutionary.

Mr Mandela, speaking about the charter during his last public appearance, on trial for treason in 1964, said: "It is by no means a blueprint for a socialist state. It calls for redistribution, but not nationalisation, of land. It provides for nationalisation of mines, banks and monopoly industry, because big monopolies are owned by one race only, and without such nationalisation racial domination would be perpetuated despite the spread of political power."

His lengthy speech at the Rivonia treason trial (his third major court appearance) was a remarkable statement in which he traced his growing belief that non-violence would not succeed, and his conversion to the need for an ANC military wing, Umkhonto We Sizwe. He helped found this "after a long and anxious assessment" in November 1961.

A month later, Government buildings in Johannesburg, Port Elizabeth and Durban were sabotaged, and the pattern of black resistance to white rule had changed for ever.

Mr Mandela's words at the trial are as prophetic as his letter to Dr Verwoerd. He told the court four forms of violence were possible, as he outlined the military strategy of the ANC: "Sabotage guerrilla warfare, terrorism, and there is open revolution."

In the past year, the ANC leadership has openly declared its shift from guerrilla attacks on strategic targets such as military installations and Government buildings, to "soft" non-military targets which could include civilians. At the funerals around South Africa today, where the black, green old gold banners of the ANC are unfurled, the youth are calling for a revolution.

The Rivonia trial ended after 11 months and Mr Mandela and his fellow defendants were found guilty of treason. He was sentenced to life imprisonment, flown to Cape Town, and then taken by ferry to Robben Island, South Africa's notorious maximum security prison. He was moved to Pollsmoor, where his conditions were made less arduous, in 1982.

Visitors, including his wife Winnie Mandela, a formidable political figure in her own right, say that despite 21 years of incarceration Nelson Mandela's spirits remain high, his mental abilities are as acute as ever, and his confidence in black South Africa's ultimate triumph undiminished.

One recent visitor noted that, such was Mr Mandela's authority, it was he rather than the warders who appeared to be in charge. That may also reflect Pretoria's acknowledgement that the man they hold could be the key to South Africa's future.

# Four survivors found in wreckage of Japanese aircraft

BY JUREK MARTIN IN TOKYO

TWO women and two girls appear to be the only survivors of Japan Air Line's flight 123 from Tokyo to Osaka which crashed on Monday evening with 524 passengers and crew on board. All were seated at the rear of the aircraft.

The crash is the largest disaster involving a single aircraft in aviation history.

Rescue operations were called off last night at dusk in the rugged, heavily wooded hills of Nagano Prefecture about 75 miles north-west of Tokyo. Approximately 50 bodies had been recovered.

Aerial photography suggested that the Boeing 747 short-range jumbo jet, specially adapted for use in Japan, had bounced at least twice on hillsides and ridges before cutting a jagged final scar through trees and breaking up. Wreckage was scattered over an area of several square kilometres. What remained of the fuselage and engines was still emitting smoke as night fell.

The survivors—a mother and her eight-year-old daughter, an off-duty 26-year-old stewardess and a 12-year-old girl—had to be lifted by military helicopter from the remote scene of desolation. All except the 12-year-old were said to be suffering from multiple injuries and all were in deep shock: they had lain in the wreckage for well over 12 hours.

Last night, neither flight 123's voice or flight recorder had been found and none of the survivors was in a condition to describe the circumstances of the disaster.

Investigators' attention continued to be focused on the rear, right-side passenger cabin door—known in Boeing designs as R5. In his final radio messages, thet pilot of flight 123, Mr Masami Takahama, had referred to unspecified problems with the door.

Some aviation experts here doubted that four people sitting at the back of the aircraft could have survived if the rear door hadw blown out. Much interest, however, was aroused by a report from the Los Angeles Times newspaper quoting the U.S. Federal Aviation Administration that the Boeing 747 had a record of passenger and cargo door problems.

All that did sem self-evident was that something had cut the aircraft's main flight control systems. In his final received radio communication, Captain Takahama said thet aircraft was out of control.

JAL shares took an inevitable beating on the Tokyo stock exchange yesterday, closing down the maximum permitted limit for a day of Y1,000 at Y6,600.

Mr Yasumoto Takagi, the company's chairman, offered his apologies, but said he would not resign. Japanese society expects senior people to take "personal responsibility" for disasters, regardless of their cause. Mr Takagi faced similar pressure to quit after the last JAL crash at Haneda airport in Tokyo in 1981.

Mr Takagi also denied that JAL maintenance had been in any way negligent. The Japanese Press pointed out that the departure of a JAL aircraft which took Mr Yasuhiro Nakasone, Prime Minister, to Europe last month was delayed because of maintenance problems.

Among the apparent victims of the disaster, were Mr Kazuo Kida, chief economist of Sumitomo Bank, a pop singer whose professional name was Kyo Sakamoto, known 20 years ago for his hit song Sukiyaki, a retired Sumo wrestler and the president of one of the Japanese professional baseball teams.

The family of Mr Kimble Mathews, the 28-year-old Briton killed in the crash yesterday flew to Japan. Mr Kimble of Enfield, Middlesex and his Japanese girlfriend Masako Nischituchi, a 25-year-old travel agent, left Britain on Sunday after a three-week visit to discuss their planned engagement.

The passenger list for flight 123 included 20 other foreigners, among them six Americans, two West Germans, two Italians, two people believed to be Indian, and four believed to be Chinese residents of Hong Kong.

A rescue helicopter lifts up one of the four crash survivors

## London liable for 57 per cent of JAL claims

By Eric Short

THE LONDON insurance market will be liable for 57 per cent of the total claims made as a result of the Japan Air Lines 747 crash and the accident is likely to cause aviation underwriters to reconsider their rates on what was regarded as the safest airliner in operation.

JAL's primary insurer is Tokyo Marine and Fire Insurance, but 57 per cent of the risk was reinsured in the London market with Lloyd's and companies.

The aircraft itself was insured for \$35m (£25m), but the ultimate liability for passengers is unknown and virtually unlimited. Under the Warsaw convention all passengers on international flights are insured for a standard \$75,000 of passenger liability—paid on death or other accident to the passengers.

However, on internal flights, passenger liability is controlled by local legislation and in Japan there is no limit to such liability. Crash victims or their relatives and dependants may sue the airline, and possibly the manufacturers, in the courts for settlements above the standard.

It will be several years before the claims are ultimately settled and at the moment Lloyd's is not prepared even to hazard a guess at the cost. Claims from the South Korean 747 disaster two years ago are far from being settled and preliminary guesses put the insurance costs in the region of £300m.

A statement from the chairman of Lloyd's Aviation Underwriters' Association when Lloyd's global results are announced next month should indicate underwriters' thinking on rates for 747 jetliner insurance. The JAL crash follows the crash of an Air India 747 off the coast of Ireland in June.

# Komoto resignation casts doubt over future of his faction

BY JUREK MARTIN IN TOKYO

MR TOSHIO KOMOTO, the former head of Sanko Steamship, yesterday made clear he intended to try to stay on as leader of the political faction he commands within Japan's ruling Liberal Democratic Party.

But the future of his faction seemed in doubt yesterday following the decision of Mr Yasuhiro Nakasone, the Prime Minister, to accept Mr Komoto's resignation from the Cabinet, in which he had served as State Minister for external economic relations.

The Komoto faction has 35 Diet members and is the smallest of the five cohesive groups inside the LDP. Under its previous leader, the former Prime Minister Mr Takeo Miki, it had the reputation of an independent floating faction that rather revelled in Mr Miki's image as a "Mr Clean" who shunned money politics.

Mr Komoto has changed the faction's philosophy in several ways. He had brought to it both money and his own ambition to be Prime Minister (he finished second to Mr Nakasone in the 1982 leadership contest). He had also imparted his own neo-Keynesian economic views, which do not correspond to the mainstream of conservative LDP thinking.

This combination of economic liberalism and an independent tradition had even made the Komoto faction an intermittently attractive proposition to the opposition centre-left parties in their dreams and schemes of an anti-LDP coalition.

But his defeat by Mr Nakasone in 1982 and the problems of Sanko Steamship, which began to surface in the following year, pulled the rug from under Mr Komoto's ambition. The faction lost seats in the 1983 general election and last year Mr Komoto suffered the humiliation of being unable to raise the signatures needed of 50 MPs in order again to run against Mr Nakasone.

His decline—and the progressive drying up of the funds with which he had once enriched the faction—have left his supporters with little sense of direction. Many faction members found it particularly grievous that Mr Komoto, the one-time apotheosis of the successful businessman-turned-politician, should have to go cap-in-hand to the banks to keep Sanko afloat.

Yet the group surival instinct in Japanese politics — as in society at large—is very strong. There was, therefore, surprisingly little speculation yesterday that the Komoto faction would go so far as to disintegrate, with some MPs becoming independents and some joining other factions.

However, with the LDP gearing itself up for next year's likely general election and a subsequent leadership contest, it can be expected that offers will be made to Mr Komoto's supporters from the factions beholden to the main candidates, Mr Nakasone, Mr Shintaro Abe from the Fukuda faction, and Mr Noburo Takeshita and Mr Susumu Nikaido from the Tanaka faction.

Alternative leaders do exist within the Komoto faction ranks though none is considered to be ready to challenge for the highest offices in the land. If Mr Komoto does, in time, step down, his most logical successors would include Mr Toshiki Kaifu, who has served as a Cabinet Minister, and Mr Tokuo Yamashita, who is now the Transport Minister and is thus deeply involved in the Sanko collapse.

There is even occasional talk that Mr Miki himself might return, for all that he is now 78 and nine years out of the Prime Ministership.

Komoto: determined to remain faction leader

**NEW machinery orders from the Japanese private sector, a leading indicator of private capital investment in the ensuing six to nine months, rose 4.1 per cent in June from the previous month to a seasonally-adjusted Y584bn, Kyodo reports from Tokyo.**

**But the growth appears to be peaking out because May's advance reflects a rise in orders for aircraft engines from the Defense Agency.**

## Australia sets record trade deficit

By Michael Thompson-Noel in Sydney

**AUSTRALIA suffered a record monthly trade deficit of A\$465m (£242m) in July, against a surplus of A\$117m in June, as imports surged by 15 per cent to A\$3.2bn.**

**There are fears, echoed by the Organisation for Economic Co-operation and Development (OECD) last weekend, that Australia's rapidly rising import bill will fuel a surge in the inflation rate and thus endanger the otherwise robust performance of the economy under Mr Bob Hawke's Labor Government.**

**The Bureau of Statistics said imports of machinery and transport equipment rose by about 30 per cent last month, providing most of the impetus for the overall rise.**

**Nevertheless, exports last month were 6 per cent lower at A\$2.8bn. There was a net deficit on invisibles of A\$857m, and a record monthly current account deficit of A\$1.3bn. Net apparent capital inflow, at A\$1.2bn, was A\$818m higher than in June.**

**Mr Paul Keating, the Treasurer, admitted yesterday that the Government would not now proceed with the introduction of a broad-based consumption tax as part of its plans for tax reform. There is also a question mark over plans for a capital gains tax.**

**Mr Keating said the Government still wanted to cut marginal income tax rates and claimed the tax package, when it emerges, would be far-ranging.**

**But Mr John Howard, the shadow treasurer, said the Government's climbdown on tax was the biggest victory for Labor's left wing**

## Manila draws first tranche of loan

**THE PHILIPPINES has drawn the first tranche of \$400m (£290m) of the \$925m new money extended by international banks under a \$10bn commercial debt restructuring programme, reports Samuel Senoren from Manila.**

**The Philippines is to apply some \$250m of the new money, drawn ahead of schedule on Monday, to clear arrears on interest payments due the banks.**

**● Some 56 opposition members of the Philippine Parliament yesterday formally sought to impeach President Marcos charging that he violated the constitution, ammassed wealth and abetted the illegal export of capital**

# U.S. envoy's Amman visit boosts hopes of progress

BY TONY WALKER IN AMMAN AND DAVID LENNON IN TEL AVIV

MR RICHARD MURPHY, the U.S. Assistant Secretary of State for Middle East Affairs, arrived in Jordan yesterday for exploratory talks aimed at paving the way for the first ever direct meeting between U.S. officials and a joint Palestinian-Jordanian delegation.

Problems over a list of Palestinian delegates acceptable to Washington now appear to have been resolved.

Mr Shimon Peres, the Israeli Prime Minister, yesterday received a message from Mr George Shultz, the U.S. Secretary of State, assuring him that U.S. officials would meet the Arab delegates only if it is clear that the meeting will lead to direct negotiations with Israel.

Mr Murphy is understood to be anxious to establish how a meeting would fit into the overall peace process and that some understanding exists between the two sides about what comes next.

Among names being mentioned as possible Palestinian members of the joint delegation are Mr Hanna Seniora, editor of the al Fajr newspaper in Jerusalem; Mr Nabil Sha'ath, a member of the Palestine National Council, who lives in Cairo; Mr Fayez Abu Rahmeh, a lawyer from the Gaza Strip; and Mr Mohammed Sabih, also a member of the PNC.

Other names on a list of about seven Palestinians put forward by King Hussein of Jordan as possible members of the joint delegation, such as Mr Khaled Hassan, the prominent PLO figure, may fulfil the role of "advisers."

Israel is opposed but resigned to the possibility of a meeting, believing that it will constitute indirect recognition of the Palestine Liberation Organisation. Washington has told the Israelis that this is not the case, but they are not convinced.

The U.S. has reportedly advised Israel not to oppose the meeting because of fears that such opposition would lead Mr Yassir Arafat the PLO leader, to abandon his pledge, which Washington believes it has obtained, to end terrorism and ultimately to recognise Israel. This caution was delivered by John Whitehead, U.S. deputy assistant secretary of state, during a visit to Israel last week.

Washington is seeking from the PLO explicit acceptance of United Nations Security Council resolutions 242 and 338, which call for Israel to withdraw from territories occupied in the 1967 war and for recognition of the right of all states in the region to live within secure boundaries—effectively a recognition of Israel's right to exist.

Mr Yassir Arafat, chairman of the PLO, who arrived in Amman on Monday evening after the Casablanca summit, has not, so far, committed himself to explicit acceptance of resolution 242.

The PLO wants the U.S. to accept it as a negotiating partner in the peace process and also to accept Palestinian rights to self-determination.

King Hussein, whose February 11 accord with Mr Arafat opened the way for renewed peace efforts, has been talking in private about the need for a direct meeting between American and PLO officials, following initial contacts involving the joint delegation, leading to an international conference on the Middle East at which all parties to the dispute would be represented. Israel and the U.S. remain opposed to such a conference because of disquiet about Soviet involvement.

The forthcoming Reagan-Gorbachev summit to be held in Geneva in November, at which the Middle East is certain to be discussed, is regarded as a key to future American attitudes to an international conference.

## Row grows over S. Korean plan for campus curbs

BY STEVEN B. BUTLER IN SEOUL

A POLITICAL showdown is looming in South Korea over the Government's intention to enact a "campus stabilisation law" designed to curb student radicalism.

The political opposition has denounced the proposed law in the harshest terms. The New Korea Democratic Party (NKDP) call the Bill unconstitutional and says it will launch a nationwide "struggle" to defeat it.

The Bill has provoked the most intense confrontation between the Government and the opposition since the NKDPs strong electoral performance in February. Many are predicting that the opposition will attempt to use obstructionist tactics to defeat the legislation, but the Government party controls a majority of seats in the Assembly.

The law would establish an extra-judicial panel empowered to send leftist students through a "rehabilitation" programme for up to six months. Students who refuse to co-operate might be referred to the courts.

The Government says the law is designed to give it more flexibility in dealing with leftism on the campuses, and that it will help keep students from going through the courts and to jail.

The opposition, however, says the extra-judicial procedure is an infringement of constitutional rights and will lead to abuse. Leading dissidents, Mr Kim Dae-Jung and Mr Kim Young-Sam, yesterday issued a joint statement denouncing the Bill, claiming that it would "bring about an inevitable confrontation between the people and the power holders and plunge the nation into a catastrophic crisis."

The Government has already locked and sealed off University campuses in Seoul in order to prevent students from organising protests against the law. Opposition assemblymen say they are considering staging a filibuster, or a sit-in in the National Assembly to prevent the government party from taking a vote.

## Gloomy outlook for Tamil talks

By John Elliott in New Delhi

AN EARLY settlement to Sri Lanka's ethnic problems seemed unlikely yesterday as resumed peace talks entered their second day in a secret hideaway in the northern Himalayan kingdom of Bhutan.

Representatives of the Sri Lankan Government, led by Mr Hector Jayewardene, brother of the Sri Lanka president, opened the talks on Monday with uncompromising statements rejecting a four point charter on territorial rights and freedoms for the minority Tamil community.

Mr Jayewardene also warned that arms would have to be laid down and guerilla training camps closed.

Extremists rejected those conditions. They said yesterday that they would be willing to hold "rational talks" with the island's Government, however.

Indian diplomats, who have helped to get the talks going, fear that the interest in a sttlement of Mr Junius Jayewardene, the island's president, may be waning. This probably means that the talks will adjourn without a settlement.

# China jail sentence raises foreigners' fears

BY ROBERT THOMSON IN PEKING

IN A diplomatically-sensitive case highlighting the darker side of the Chinese legal system and causing unease among foreign business people here, a U.S. businessman was sentenced yesterday to 18 months jail for allegedly starting a hotel fire in which ten people died.

The businessman, Mr Richard Ondrik, 34, was found guilty of negligence for having fallen asleep last April while smoking in his room at the Swan Hotel in the northern Chinese city of Harbin.

Following the blaze, Mr Ondrik, though not charged with an offence, was confined to the precincts of the city for two and a half months. At the end of June, he was arrested and taken to a detention centre, where, according to his U.S. legal advisers, bright lights were kept on for 24 hours a day.

The case has focused attention on the problem of foreigners' legal status in China, and, since five North Koreans were among those killed in the blaze, it has a political element. Several U.S. diplomats were in the Harbin courtroom yesterday to hear the passing of sentence on Mr Ondrik, who had gone to Harbin for discussions with officials at the local oil refinery.

As well as serving the 18-month sentence, Mr Ondrik was ordered by the intermediate people's court to pay 150,000 yuan (about \$60,000) in compensation. Chinese officials say the blaze caused damage worth more than 250,000 yuan.

In a written judgment, the court found that the businessman had returned to his hotel room after a dinner with two colleagues on the evening of April 18. The statement emphasised that the three Americans had been drinking alcohol at the dinner.

Killed in the blaze were five North Korean commerce officials, four hotel staff, and one of Mr Ondrik's business partners, Mr Alan Eng. Both Americans were representing a Hong Kong-based company, Energy Projects Southeast Asia Limited, in the trade discussions.

The U.S. businessman was formally charged on July 1, but his lawyers were not told until two days later, and the trial began on July 11, giving them only eight days to prepare a defence. Defendents in China do not enter a plea of guilty or not guilty, and the evidence from defence and prosecution is debated by the sitting members of the people's court.

Mr Ondrik's U.S. lawyer was not permitted to represent him before the court's three members. His Chinese legal representative presented evidence to the court that the businessman had not smoked in his room and claimed the fire could have been caused by an electrical fault.

Other evidence showed much confusion on the night of the blaze. A hotel employee told the court that a fire extinguisher he grabbed did not work, and the hotel was said to have no emergency exits.

The court also sentenced the hotel's acting chief security officer, Jiang Guoyun, 56, to three years imprisonment for having deserted his post to spend the evening in the hotel ballroom on the night of the fire.

Mr Ondrik now has ten days to appeal against the sentence. According to the Chinese new agency, Xinhua, he indicated after yesterday's decision that he would consult his legal advisers before taking further action.

# Washington begins review of trade policy

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

THE REAGAN Administration has begun a major review of its trade policy, in response to mounting political and commercial pressures, Mr Bruce Smart, the new Under-Secretary for International Trade at the Commerce Department, said yesterday.

Mr Smart, former chairman of the Continental group of companies, said that the review, which would be completed some time in the autumn, would not lead the Administration to abandon its fundamental belief in free trade based on comparative advantage and equal access to markets.

He suggested, however, that the time had perhaps come for a change of tactics and appeared to favour a more aggressive approach to persuading other countries to dismantle unfair trade barriers.

Mr Smart said that some of the trade measures contained in a welter of protectionist legislation currently before Congress could be useful in helping to apply pressure to Japan and other countries although he would not specify which ones.

With Congressional concern mounting over the $150bn (£97m) trade deficit projected for this year, and growing unemployment caused by foreign competition, upwards of 200 separate trade Bills are now under consideration on Capitol Hill.

Leading Republicans are becoming increasingly anxious that the Democrats will make trade a major issue in next year's mid-term Congressional elections.

Mr Smart said that one of the main objectives in the coming months will be to answer Congressional and public criticism that the Administration has no real trade policy.

The new "articulation" of the policy could take the form of major speeches by President Ronald Reagan and other leading Administration trade spokesmen, he said.

Mr Smart promised to use U.S. anti-dumping legislation as vigorously as the law would allow and called for a strengthened international trading system.

There was an "absolute need" for a more comprehensive trade system than the current Gatt framework and one which would impose firmer discipline on violators of the trade rules, he said.

# Japanese place $300m McDonnell-Douglas order

BY NANCY DUNNE IN WASHINGTON

TOA DOMESTIC AIRLINES (TDA) of Japan said yesterday it will order three McDonnell-Douglas-81 twin jetliners and four smaller McDonnell-Douglas-87 aircraft to expand the airline's domestic service.

Along with the options TDA is taking on four other aircraft and spare parts; the sale carries an estimated value of about $300m (£214m).

Mr Toshihiko Kubota, president of TDA, said in Washington that the airline, now the 25th largest in the world, plans to extend service to countries outside Japan,

TDA will be purchasing long-range aircraft to serve these routes, and the proposed McDonnell-Douglas advanced wide-cabin tri-jet, the MD-11, is a prime candidate for the intercontinental service.

TDA has been flying the 163-seat MD-81 in Japan since 1981 and currently operates 10 with two more previously ordered to be delivered next year. With the 11 aircraft just announced, TDA will have bought 45 jetliners from McDonnell-Douglas.

Mr James S. McDonnell, vice-president of aerospace marketing, said the new order "is especially welcome at this time, when so much attention is focused on balance-of-trade issues

He also called TDA's interest in the MD-11 "most welcome," and said McDonnell-Douglas hopes to launch the tri-jet early in 1986 for deliveries to airlines beginning in 1989.

# Yeutter warns Japan against export curbs

BY JUREK MARTIN IN TOKYO

JAPAN should not try to solve its trade imbalance with the U.S. by indulging in export restraints, according to Dr Clayton Yeutter, the new U.S. Trade Representative.

In a speech here towards the end of three days' talks with Japanese officials, Dr Yeutter said that the "second bottom line" of the message he had been conveying was that "export restraint is no substitute for market access."

Asked about the recent surge in Japanese car exports to the U.S. in spite of informal export curbs, he replied that even U.S. car manufacturers "have to learn how to compete."

"Whether they do so in the face of full-scale Japanese competition or something less than that is up to Japan to decide, not Washington." But he would not adivse restraint on Japan.

The "first bottom line" he had pressed, he said, was the gospel of free competition. "You (the Japanese) must fully expose your economy to foreign competition, just as you have asked other nations to expose their industries to competition from Japanese firms," he said.

Dr Yeutter emphasised that, contrary to local press reports, he had not come to Japan on his maiden excursion as U.S. Trade Representative to engage in specific bargaining or negotiations, but to get a feel for the political and economic relationship between the two countries.

In his speech, he did refer to two bilateral issues—Japanese restrictions on the use in Japan of U.S. "high cube" transportation containers and the prohibition on U.S. cigarette companies from setting up manufacturing plants in Japan.

But he adduced these examples, he said, merely to underline the extent to which foreign countries perceived the Japanese internal market as "unfair."

He had high praise for the political leadership being exercised by Mr Yasuhiro Nakasone, the Prime Minister, in the cause of more open Japanese markets.

But he expressed "deep reservations" about the pace of the implementation of the latest import action programme and "concern in respect to what is actually intended in some areas."

Warning that neither the U.S. Administration nor Congress could tolerate bilateral and global trade imbalances of the current magnitude, Dr Yeutter nonetheless argued that the U.S. did not wish to engage in retaliation.

"Our trading relationship is not a zero-sum game," he said. "For us to win, it is not necessary for you to lose. For Japan to win, it is not necessary that the U.S. lose. If we handle these issues and disputes properly, we can both win."

Dr Yeutter also implied that the Reagan Administration was prepared to veto all the protectionist Bills (over 200) now on the Congressional books.

He said he was now reviewing the content of all the legislation but, in his view, most of it was "negative in scope, defeatist in philosophy and protectionist in impact."

Dr Clayton Yeutter

WEST INDIANS PRESS FOR QUICKER ACTION

# Caribbean concern at protectionism and subsidies

**Caribbean officials are increasingly worried by growing protectionism in the developed world, and by the subsidies to which the industrial nations are resorting to protect their vulnerable industries, writes Canute James in Kingston. They show little interest in such trade-related issues as services, which Washington is pushing.**

"THE AMERICANS never knew of this disease before," complains one Jamaican farmer. "It appears that every time their domestic production is up they discover that our product has come down with a malady of some sort. All they are doing is finding ways of protecting their farmers."

The argument is over Jamaican pumpkins shipped to the U.S. and which U.S. Government agencies recently said could not enter the country because of diseased shipments.

Pumpkins are but one, and a small one at that, of non-traditional products which Caribbean countries plan to export to North America and Europe. They need the new products because the traditional legs of their export economies—sugar, bauxite, oil—are doing poorly.

However, like the Jamaican pumpkin farmer, the region is becoming increasingly angry at growing protectionism in the developed countries.

This overriding concern has led most countries in the Caribbean to throw their weight behind other developing countries calling for a new round of negotiations under the General Agreement on Tariffs and Trade (Gatt).

The concern has not been mollified by the fact that many of the countries in the region are beneficiaries of special trade arrangements allowed under Gatt, such as the Lome Convention and the Reagan Administrations Caribbean Basin Initiative.

Mr Edward Seaga, Jamaica's Prime Minister, recently told Mr George Bush, the U.S. Vice President, of Caribbean concern over the tendency of Washington legislators to be increasingly protectionist.

"The issue of protectionism, particularly as this affects products which are vital to the region, will be what we would push in any new round of the Gatt," said one Caribbean trade official.

"Under agreements such as the Caribbean Basin Initiative we are granted some market access, but as is the case with some agricultural exports, barriers are being thrown up unilaterally."

There is little interest in the region in the U.S. perception of the trade related issues, such as services, which Washington is pushing.

"We are not saying that shipping and insurance are not important," one Caribbean official conceded. "But we think that they should be discussed in other fora and not under the Gatt."

The trade related issue in which the region is interested, and which it wants to have discussed in a new round, is financial and monetary reform.

The U.S. push for talks about services is regarded as being "little more than self serving "...since it is the developed countries which control these." said one official.

He denies that the same could be said of the call for monetary reform. "If this is put into effect, and financial arrangements allow an increase in trade, everyone benefits.

"For example, export credits will allow us to sell more to North America and Europe, and in doing so we earn more."

At their recent annual summit in Barbados, the heads of government of the Caribbean economic community agreed that there was an "... interrelationship of monetary, financial and trade issues," and said talks on trade should take account of this.

Several regional Governments say the Gatt is at a standstill and needs new life through a new round. This can be achieved, they suggest, through serious attempts to discuss not only the issue of protectionism, but all the outstanding issues from the declaration of Trade Ministers at the end of their meeting in Geneva in November 1982.

A long list follows the general concern at protectionism. The region has been trying to attract new business in sectors which have a high labour content and can generate foreign earnings.

The Caribbean wants to have the Multi Fibre Arrangement (MFA) and all matters relating to trade in textiles and garment brought under Gatt.

"This is likely to be a very difficult one," said a Jamaican Government trade official. "The current MFA will expire in a few months, but although there is pressure for change we are likely to have another MFA before we can expect textiles and garments to be brought under the Gatt."

Regional trade officials also argue that current approaches to standards and labelling are discriminatory, and work against Caribbean and other Third World countries.

Caribbean exporters of processed food and fruit say they suffer from a range of non-tariff barriers in this regard. Labelling requirements are frequently changed, as are regulations on matters such as the level of acidity of the products. To keep abreast of these changes demands continuing investments which small firms in Caribbean countries do not have.

In a new round, the region is expected to argue against officials subsidies, particularly to developed country farmers, which gives Third World products unfair competition.

Similarly, there is growing concern at the ease with which some countries impose countervailing duties to protect domestic producers threatened by imports from developing countries.

"We are also concerned about the issue of the settlement of disputes," said an official.

He explained that the present arrangement is defective and time consuming, and can be prolonged further by any one of the parties involved.

"While this is going on, the products cannot be moved. We simply want mechanisms to have the process of the settlement of disputes improved so that conclusions can be reached quickly."

*The previous articles in this series appeared on July 2, 12, 18, 24 and August 1 and 9.*

# ICI beaten on go-ahead for Indian urea plant

By John Elliott in New Delhi

AN INDIAN businessman resident in London has beaten ICI and major local industrialists for government permission to build and operate a Rs 6.5bn (£410m) gas-based urea fertiliser plant in Northern India.

He is Mr Swraj Paul, a close confidant of Mrs Indira Gandhi, the late Indian Prime Minister. Mr Paul has built up the Caparo Industries group in the UK which last October bought the Fidelity Consumer Electronics group and has a turnover of about £100m.

This will be the biggest single investment in the country by an Indian businessman living abroad since investment rules for non-resident Indians were relaxed three years ago.

The fertiliser plant is one of six to be built on a 1,700m cross-country pipeline to be constructed next year, linking the offshore Bombay High oil and gas field with Northern India.

The other five are being set up by Indian private and public sector companies, including one with a Middle East partner.

Most are using technology from Snamprogetti of Italy. Mr Paul has yet to decide between Snamprogetti and Kellogg of the U.S. which has failed in earlier attempts to win work on the pipeline.

Indian explosives, ICI's Calcutta-based company, wanted to be responsible for the sixth plant after the original promoter, Delhi Cloth Mills, withdrew last year.

But Mr Paul, whose political influence was thought to have waned after the death of Mrs Gandhi, is understood to have won because of the amount of capital he has said he will raise abroad. He has accepted a 3.5-to-1 debt equity ratio, instead of four-to-one agreed for the other plants, and will be putting up 51 per cent of the Rs 1.4bn equity required from his Caparo company in the U.K.

He has also said he will try to raise another 24 per cent of the equity from Indians and other interests abroad. This package would put less pressure on scarce equity and bank loan resource in India than the proposal believed to have been put up by ICI.



# Carbide bid to calm fears over gas leak

By Terry Dodsworth in New York

UNION CARBIDE, the U.S. chemicals company, said yesterday the gas which leaked from its Institute, West Virginia plant earlier this week, was "10 times less toxic" than the chemical which killed 2,000 people when it escaped from the group's Bhopal plant in India last year.

The company's statement followed the revelation that Union Carbide had submitted documents to Congress last December rating Aldicarb oxime, the the gas which escaped at Institute, among the toxic of four categories of chemicals it produces.

The same category also includes methyl isocyanate, the product which leaked with letheal results at Bhopal. According to the memoranda, category 4 chemicals can cause cancer, genetic damage, irreversible nervous system disorders and immediate serious illness.

At a Press conference in West Virginia yesterday the company conceded that Aldicarb Oxime stood on a number four rating, but said that this mainly indicated that "all due precaution" must be taken in dealing with the product. There were various degrees of risk in exposure to these products,



# Reagan advisers plan long-term strategy

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

PRESIDENT Ronald Reagan's top advisers are taking advantage of his secluded, three-week holiday at his California ranch to lay long-range plans for restoring momentum to his second term in the White House, after a lack-lustre first seven months.

Mr Larry Speakes, the White House spokesman, yesterday denied the re-thinking was due to the congressional setbacks and controversies that have followed Mr Reagan's second inauguration in January.

But the aim is clearly to restore a sense of purpose to a White House that has appeared to lack direction in recent months, and convince the country that Mr Reagan is still capable of governing vigorously despite his recent surgery for cancer.

The planning drive was launched yesterday at a telephone conference between the party accompanying Mr Reagan in California, in Santa Barbara, and White House staff in Washington. The highly publicised tele-conference was the idea of Mr Donald Regan, the White House chief of staff, who has made himself indispensable as Mr Reagan's right-hand man in recent months.

The idea, according to White House officials, is to plan presidential strategy for the mid-term congressional elections in November, 1986, when the Republicans will be fighting to keep control of the Senate, and on through to the end of Mr Reagan's time in the White House in January, 1989.

Such a long-range programme would mark a distinct change in style from the last seven months, when the White House often seemed to be reacting to problems as they occurred, and was frequently overtaken by events.

Democrats in Congress, led by Mr Tip O'Neill, the House Speaker, have gleefully charged that Mr Reagan has wasted the mandate that he claimed to have won with his landslide re-election last November—a charge to which the White House and the Congressional Republicans are obviously sensitive.

Mr Reagan was also distracted by the outcry over his visit to the German Bitburg war cemetery in May, the Beirut hostage crisis in June and last month's cancer operation.

The plans for the months ahead will concentrate on further efforts to reduce the budget deficit, Mr Reagan's tax reform proposals, and foreign policy, particularly the November summit meeting with Mr Mikhail Gorbachev, the Soviet leader, in Geneva, Mr Speakes said.

Mr Reagan plans to address the budget and tax issues in what he has described as a major "fall offensive" after he returns to Washington in September.

# Shattered Managua looks to its London twin

BY TIM COONE IN MANAGUA

"MANAGUA, Nicaragua, is a wonderful town" begins the American pop song written before an earthquake in 1972 shattered the heart of the city, destroying 70 per cent of its buildings and killing one in every 20 inhabitants.

Seven years later the town was bombed on the orders of the dictator Anastasio Somoza, during the Sandinista-led insurrection of 1979. A six year U.S.-backed guerrilla war against the revolutionary Government has drained the economy and slowed the capital's reconstruction to a near standstill.

Managua, according to Sr Samuel Santos, the Government-appointed mayor, "is an extremely hard city to live in"—and it is this city which was formally twinned with London last week.

Sr Santos is jubilant at the decision by the Greater London Council (GLC) to twin, despite the fact that the GLC will be abolished next March.

"It has an enormous significance for Managua and Nicaragua. From the heartland of Mrs Thatcher's Britain it represents a total rejection of President Reagan's aggressive and war-like policies towards Nicaragua and a recognition of the serious problems that Managua and Nicaragua face, especially now."

Even before the 1972 earthquake, Managua was never noted for its grace or elegance (despite the upbeat song). Today it remains the hottest, ugliest, most infuriating capital in Central America with a woefully inadequate transport system and an excruciatingly tedious and pedantic bureaucracy.

Shopping, with its queues or shortages, is just another Managua bugbear

Managua's steamy sprawl of working class shanty towns intermingled with clusters of architect-designed, air-conditioned bungalows where Nicaragua's middle classes still cling to their hopes for better times ahead, is certainly no place for a Londoner accustomed to the comforts of a modern western city.

Residents face the daily frustration of long queues for a bus or taxi to get to and from work. Telephone exchanges are frequently overloaded and jammed during working hours. A week's shopping needs may take half to a whole day to purchase because of queues and wide dispersion of shops. In the dry season, water supplies are cut off two days a week to conserve supplies.

The city centre was never rebuilt after the earthquake, and today Government offices are scattered across the town, making dealings with the prodigous bureaucracy doubly onerous. The cost of living has skyrocketed in the past six months.

Remarkably, the Nicaraguans endure it all with an astonishing stoic patience, and outbursts of rage or exasperation by petulant foreigners are shrugged off or simply laughed at.

The lack of resources and the drain of the guerrilla war have become the overriding constraints on the city's development and attending to the needs of the capital's 800,000 inhabitants, says Sr Santos.

Diversion of resources to the war effort has reduced public investment in the capital to 25 per cent of levels three years ago. Many of the most able municipal officials have been temporarily drafted into the war effort and council equipment stands idle for a lack of spare parts.

"We are still working on environmental improvement, especially in the poorer neighbourhoods, but the rate of work has fallen dramatically," says Sr Santos.

Managua is already twinned with Amsterdam and Madrid. On a practical level, this has brought technical assistance in improving flood and pollution control as well as advice on town planning problems.

Sr Santos says the most pressing problems are public health ones, namely the collection of rubbish and improvement of the city's water supplies. "It is simply that there are no spares for the rubbish trucks and no pumps for the water."

The city's daily effluent output is pumped as raw sewage into a nearby 1,000 sq km lake, a potential fishery resource and tourist attraction, but which environmental experts say will take decades to clean up. "London experience of cleaning the River Thames would be of special interest to us," said Sr Santos.

As with Amsterdam and Madrid, the GLC's decision to twin is not intended merely as a gesture. Mr Ken Livingstone, the GLC leader, says its purpose was to provide direct material support for Managua, as well as to register a protetst at the present U.S. policy towards Nicaragua. He said projects are to be established in the remaining months of the GLC's existence which will have a continuity beyond its dissolution early next year.

One such project is already underway. In February this year, a non-profit company known as Twin-Trading was established with funding from the industry and employment committee of the GLC.

The company's stated aims are to promote production in, and share technology with, the Third World, to market Third World products in the UK and to promote employment in London.

A representative of Twin Trading who is presently in Managua said the company "is intersted in setting up substantial trade links with Nicaragua and to market Nicaraguan products such as coffee, through mainstream commercial channels in the UK."

Mr Livingstone is very emphatic about the serious intent behind the GLC's twinning decision. "It is not to provide councillors with free holidays," he told a rally organised by the Nicaraguan solidarity campaign in London last month, shortly before five councillors from the GLC's Lambeth borough announced they would take a trip to Nicaragua.

# Modest rise in U.S. retail sales dims hopes of recovery

BY NANCY DUNNE IN WASHINGTON

U.S. RETAIL sales climbed a modest 0.4 per cent in July, from a month earlier. The Commerce Department reported yesterday, dimming hopes for a strong consumer-led recovery in the sluggish economy. Sales were up 5.7 per cent from July, 1984.

However, the rise was the first of any size since April, when sales increased by 3.1 per cent. With the retail sales rise, on the high side of bearish market projections, Mr Malcolm Balrige, the U.S. Commerce Secretary said yesterday the consumer would be "the mainstay of the expansion in the second half of the year."

The secretary attributer his optimism to reports of high levels of consumer confidence and lower interest rates. He chose to ignore the bad news — a revision in the retail sales figures for June from the previously reported 0.8 per cent decline to a 1.4 per cent drop.

Several economists have warned that the high level of consumer instalment debt would rein in high spending Americans.

"It is clear the consumer is remaining in a cautious mood," said Mr Robert Gough, economist at Data Resources. "The level of debt consumers are carrying right now is too high to expect a strong autumn and Christmas season."

The sales figures reflect the uneveness in the economy with the services sector expanding and manufacturing still stuck in recession. Construction has expanded and as a result building materials sales were up 5 per cent, and furniture store sales up 0.9 per cent in July.

Car sales fell 0.5 per cent last month after June's 1.9 per cent drop. Sales of clothing fell 1.7 per cent. Total sales were worth $113.7bn, after a seasonal adjustment, only $363m more than in June.

Economists, closely observing this week's economic data for signs of a second half turnaround, may find the signals inconclusive.

However, some say the drop in the June sales figure and the small gain in July points to an 0.3 per cent downward revision in second quarter gross national product growth from the 1.7 per cent preliminary growth estimate.

# Steel workforce 'cut by half in last five years'

BY WILLIAM HALL IN NEW YORK

THE workforce in the U.S. steel industry has been more than halved over the past five years and more jobs are likely to be lost because of the flood of imports in recent months, according to the American Iron and Steel Institute (AISI).

U.S. raw steel production in the first half of 1985 fell by 12.2 per cent over the comparable period of last year and mills were operating at 67.7 per cent of capacity compared with 76.2 per cent in the first six months of last year.

Employment in the U.S. steel industry fell by 14 per cent in the 12 months before the end of June to 212,900. Steel shipments in the first half of 1985 fell by 6.3 per cent to 37m tonnes.

In the first half of the year imports reached 13m tons compared to 12.5m tons in the comparable period of last year. Industry sources estimate that the 13 major steel manufacturers lost $385m (£279m) in the second quarter compared with net income of $170m in the same three months of last year.

The American Iron and Steel Institute says imports increased their share from 24.2 per cent of the market in the first six months of last year to 26.2 per cent in the latest six month period.

"The import surge in the last half of 1984 and the first half of 1985 has made it apparent that the goal set by President Reagan for containment of imports to 18.5 per cent (finished products) cannot be met this year." it says.

The surge in imports, much of which continue to be sold at dumped or subsidised prices, has moved into a weak domestic market, and has exerted continued pressure on prices, it says.

# Channel link may get team advice

THE GOVERNMENT has appointed Schroders, the merchant bank, as its financial adviser in awarding a mandate for the construction and operation of a fixed link across the Channel.

Unexpectedly, the Department of Transport – which has overall responsibility for the fixed link project – has also allowed for the possibility that Chase Manhattan Limited, the merchant bank subsidiary of the U.S. commercial bank, may play a subordinate role to Schroders.

Chase may be asked to assist Schroders in certain aspects of the financing assessments and in particular on the prospects of international marketing of project financing proposals.

Schroders, which has already enjoyed a significant share of the advisory work provided by the City of London for the Government's privatisation programme, is believed to have beaten a strong field of candidates for the main advisory job. Hill Samuel, N. M. Rothschild and S. G. Warburg were on the shortlist of four merchant banks interviewed.

Chase Manhattan was one of two U.S. banks which sought an advisory role. It made clear it would be willing to accept a subordinate position to a UK adviser. But the scope of Chase's project finance experience, and its potential usefulness as a consultant on international financing proposals, also appear to have influenced government thinking.

Bids for the mandate have been invited for submission before October 31. The Government has indicated that it would like to reach a decision about the project by January, 1986 at the latest. Full assessment of the various schemes now under discussion seems likely to be a complex task.

Channel Tunnel Group, Euroroute and Eurobridge have announced plans for a tunnel, a combined bridge/tunnel and a suspension bridge, respectively. The Department of Transport, with the co-operation of several other Whitehall departments as well as the Treasury, expects to have to evaluate the proposed schemes under at least twenty major assessment headings. Teams of technical consultants are due to be announcement soon.

□ **BRITISH TELECOM'S** flotation as a public company attracted one million people who had never bought shares before, the Stock Exchange Quarterly says. The publication's latest issue says last year's Telecom sale boosted the number of private shareholders in Britain from around 1.7 to around 2.7m.

□ **BRITISH GAS** Corporation has appointed Hoare Govett, the stockbrokers, as adviser for its forthcoming privatisation. Next year's sale of 100 per cent of the corporation could raise up to £8bn, twice the sum which resulted from the recent sale of less than half of British Telecom.

□ **PIRATE RADIO** stations are being closely watched by a government-chartered ship which has moored in the Thames Estuary. A Department of Trade spokesman said transmissions from floating broadcasters such as Radio Caroline and Laser 555 were potentially dangerous because they could jam emergency radio calls.

□ **BRITAIN** and Albania are having confidential talks on resuming diplomatic ties after a 40-year break, according to a letter from Mrs Margaret Thatcher, the Prime Minister, to a Labour Member of Parliament.

□ **BUILDING SOCIETIES** recorded a better than 50 per cent rise in deposits to £650m for the month of July, according to Building Societies Association statistics. The inflow suggests a cut in mortgage interest rates of at least one percentage point from September 1.

□ **DENTISTS** should advertise their services, the head of the Office of Fair Trading (OFT), the body which monitors professional practices, said yesterday. Sir Gordon Borrie, Director-General of Fair Trading, said dentists should lift their own ban on advertising so that the public knew the prices and range of services available.



# Dismissal threat may escalate railway dispute

BY BRIAN GROOM, LABOUR STAFF

THE THREAT of widespread rail disruption in Britain came closer last night after the British Railways Board threatened to sack 270 guards involved in the dispute over plans for driver-only trains.

The board said 32 guards at Llanelli and 58 at Margam in Wales, together with 180 at Glasgow Central, risked dismissal unless they promised to return to work by mid night on Friday and followed management instructions.

Mr Jimmy Knapp, general secretary of the National Union of Railwaymen (NUR) said: "This is management by intimidation. All aggressive action by British Rail brings the chance of a national strike nearer."

The NUR plans to hold a national ballot of more than 10,000 guards on August 29 on strike action over BR's implementation of driver-only working without agreement.

Mr Knapp would not be drawn on what might happen if sackings went ahead before the ballot. He said it would make an already volatile situation totally unpredictable.

The board's threat forces the pace of the dispute. The management, the union and the Government all expect this to turn into a long-awaited confrontation over productivity on the railways.

There has been mounting disruption around the country since BR resumed and began extending trials of driver-only operation from July 8. Mr John Palette, managing director for personnel, said the board hoped not to have to take similar action against other railmen, but would do so if necessary.

Sackings in this situation would be unprecedented. The board threatened to dismiss workers during the last major bout of industrial action in 1982, but the threat was never implemented.

Mr Palette said the board had taken its step after confirmation that the NUR executive had issued instructions that guards on strike were to be paid £15.70 a day from union funds.

"In effect, the NUR is paying these guards not to come to work and this situation cannot be allowed to continue," he said. The NUR regards the guards as locked out because BR will not allow them to work normally under national agreements.

The union is opposed to driver-only trains on safety grounds, but it is also opposed to the job losses that the plans entail.

Mr Palette said the unusual situation in which guards were receiving union benefit while not on official strike confused the issue of whether the board could seek an injunction against their action.

BR said the guards at Margam had been on strike since July 15 and those at Llanelli since July 22 in sympathy with drivers sent home without pay for refusing to begin training for driver-only working.

Guards at Glasgow Central have been out since August 2 because some passenger trains converted for eventual driver-only use have been brought in. About between 400 and 500 employees are now involved in industrial action as the dispute has spread to other parts of the country.

# Manufacturing output picks up slowly

BY PHILIP STEPHENS

BRITAIN'S manufacturing output showed only sluggish growth during the second quarter of this year, although overall industrial production benefited from a rebound in activity after the end of the miners' strike in March.

Figures released yesterday by the Central Statistical Office show that manufacturing industry increased its output by a ½ per cent in the three months to June, after a rise of 1 per cent in the first quarter of the year.

The data presents a slightly more optimistic picture than that in earlier months because of substantial revisions to past figures and because of a relatively strong rise in output during June.

The underlying trend, however, suggests that the annual growth rate in manufacturing production has slowed to under 2½ per cent. This is likely to reinforce calls from the Confederation of British Industry (CBI) for more aggressive action by the Government to bring down interest rates and to accept a lower exchange rate for sterling against European currencies.

The latest CBI industrial trends survey indicated that sterling's sharp appreciation since the beginning of this year would seriously damage export prospects for British manufacturing companies.

Yesterday's figures show that the strongest growth between the latest two quarters has been in metals production, with steelmaking boosted by the end of the coal strike.

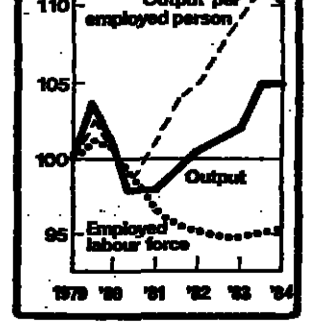
There was also above-average growth in the minerals, chemical and engineering industries, but production of textiles and clothing was flat and there was a sharp drop in the output of the food, drink and tobacco industries.

Industrial production as a whole grew by around 2 per cent between the two quarters, with the bounce-back in coal output after the settlement of the miners' dispute more than offsetting a sharp drop in North Sea oil output during June.

# Unions plan boost to public investment

BY OUR INDUSTRIAL STAFF

THE TRADES UNION Congress (TUC) has announced its programme to reduce unemployment and boost Britain's economy.




Mr Norman Willis, the TUC General Secretary, said unions were putting their 1985 economic review forward as a "charter for change." The document proposes £30bn public investment in areas such as housing, transport and energy, to be spent over five years, with a £5bn boost to current spending recommended for the coming year.

The TUC argues against tax cuts, which it says only benefit those who are already wealthy.

Its review says there is a "huge backlog of work" in those areas which it nominates for investment. "As a growing number of other groups have come to realise, these proposals would create jobs, use relatively few imports and will actually save resources in the longer term," Mr Willis said.

He said there was a danger of slipping back to the idea that nothing could be done about the present situation in Britain, which could become like a Third World country.

"It cannot be true that nothing can be done. We are putting ourselves firmly on the side of expansion and serious negotiation of things that can be done, and pushing forward," said Mr Willis. He said the economic policies of the present Government had knocked the heart out of manufacturing industry and had cut down on investment, research, development and training. He accused the Government of having laid back long-overdue public investment in infrastructure and been hostile towards public services and the welfare state.

The TUC put forward that Britain's economic problem was not high wages, but low investment and low productivity.

Its economic blue print proposals include:

- Creation of a national investment bank to invest money directly in production.
- Shifting resources from defence to industrial research and development.
- Extending the youth training scheme.
- Restoring exchange controls and repatriating funds invested overseas since 1979.

"The TUC believes the British people deserve better than the 'new defeatism' of this Government. Along with a growing number of people, the TUC rejects the Government's reasons for doing nothing about unemployment," Mr Willis said.

On public ownership, the TUC is carrying out a consultative exercise with unions on the role and structure of public enterprise.

Mr Willis said the TUC had never excluded the issues of pay from its economic thinking. Clearly the bargaining function of trade unions would always continue.

The TUC meets for its annual conference in September.

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# Standard Chartered move to boost capital

BY DAVID LASCELLES, BANKING CORRESPONDENT

STANDARD CHARTERED yesterday became the first UK bank to try to boost its capital by offering to swap notes that do not qualify as primary capital under the Bank of England's new rules for new notes that do.

The $300m exchange raised expectations that Barclays and National Westminster, Britain's two largest banks which between them have $1.1bn of non-qualifying notes outstanding, will follow suit.

Standard Chartered's manoeuvre, for which the securities house of Credit Suisse First Boston is acting as adviser, follows clarification by the Bank of England about the status of perpetual floating rate notes on bank balance sheets.

Last year, Standard, Barclays and NatWest made large issues of these notes, hoping to be able to include them in their primary capital base, which is used by Britain's central bank as a measure of balance sheet strength. They argued that the notes were akin to equity since they never had to be repaid and had interest payments linked to dividend payments.

The Bank of England disallowed them, however, because the notes might have to be repaid in some cases where a bank got into trouble.

In May Lloyds Bank found a way round this obstacle by launching an issue that was convertible into preference stock if a bank incurred large losses. This increased the risk for the investor, but ensured that the money would stay with the issuing bank.

After the central bank allowed the Lloyds issue, all the other leading UK banks made large issues of their own.

Standard Chartered is now attempting to call in its pre-Lloyds issue and exchange it for a new issue conforming to the Bank's rules. Investors are being offered $70 for every $10,000 of notes tendered as an inducement to take the new notes which are virtually identical to the old issue, except for the provision that they should be convertible into preference stock. The terms are the same.

The exercise, which has the Bank of England's approval, aroused considerable interest in the Euromarkets yesterday.

The price of Barclays and NatWest's non-qualifying issues rose in anticipation of a similar exchange. Both banks said, however, that while they keep their capital-raising under constant review, they had no immediate plans to do the same. Mr Charles Green, general manager of NatWest's financial control division, said his bank's capital position was satisfactory.

Standard is calling a meeting of note holders on September 4 to approve the exchange. The bank, however, will proceed regardless so long as at least $100m is tendered. The total cost of the exercise will be $2.4m.

Including other perpetual issues made since May, the exchange will give Standard Chartered £2.25bn ($3.5bn) of primary capital. This helped boost Standard's shares on the London Stock Exchange, where they closed at 460p, up 15p.

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# U.S. judge backs Laker out-of-court settlement

BY DUNCAN CAMPBELL-SMITH

JUDGE HAROLD GREENE, who has presided over the Laker Airways anti-trust suit in Washington since November, 1983, has spoken out in favour of the out-of-court settlement reached to the suit last month – and has warned that its rejection by the English courts could mean it "will go forward to inevitable trial."

Judgment is expected this morning from Vice-Chancellor Sir Nicholas Browne-Wilkinson, after a two-day closed hearing in the High Court in London of an appeal by Sir Freddie Laker against the settlement, agreed by British Airways (BA) and 11 other defendants.

Mr John Beveridge QC, counsel for Sir Freddie, has argued that a $48m settlement is an inadequate outcome to a civil suit seeking damages of $1.1bn. The action was brought in 1982 by Mr Christopher Morris, the liquidator of Laker Airways, on behalf of Laker's creditors; but Mr Beveridge has appealed against High Court approval for the settlement on the grounds that Sir Freddie could expect substantial compensation himself if the suit were to go full trial.

Judge Greene, speaking on the record at a conference in his Washington chambers on Monday, left no doubt of his views of the appeal. "It is my view that the settlement is appropriate, that it is the best that can be accomplished given the many parties and the many interests that are involved." He added that he saw "no basis whatever for believing that further negotiations for Sir Freddie will lead anywhere."

He was speaking at a conference of English and American lawyers convened to discuss fresh difficulties which have arisen since the settlement was struck, largely as a result of the legal battle shifting onto new ground in the English courts.

Two U.S. firms – Beckman & Kirstein and Metzger, Shadyac & Schwarz – were together offered $12.5m on July 12, in settlement of their fees as advisers to Mr Morris. It was agreed then that $8m should be paid on July 26, but the defendants in the case remain unwilling to hand over any money until a final settlement is secure, involving full approval from the English and Jersey courts.

Monday's meeting was a sequel to a telephone conference held between the various parties and Judge Greene on July 26.

It has now been agreed that the $12.5m will be held by BA on behalf of the lawyers and handed over when the settlement is complete.

Judge Greene also commented on Monday about reports that Mr Robert Beckman, U.S. counsel to Mr Morris, was now advising Sir Freddie. The judge said "it raises on its face a problem of conflicts of interest," given the "obvious" fact that the interests of Mr Morris and the liquidator were now "totally at odds."

"I find it difficult to understand how Mr Beckman, consistent with the disciplinary rules, can represent both the liquidator and Sir Freddie," said Judge Greene. "Whether anything further needs to be done is something to which I and everybody else will have to give further thought."

# UK NEWS

**Andrew Fisher** looks at the price tag placed on a state industry chief

## Ring of steel on cash register

TWO KEY QUESTIONS arise from the decision to pay £875,000 to a New York merchant bank for progress made by the state-owned British Steel Corporation (BSC) during Mr Ian MacGregor's chairmanship.

Mr MacGregor was chairman of BSC from July 1980 until September 1983, when he left to take up what has turned out to be the far more controversial job of running the National Coal Board. He has recently come under criticism from ministers in the Conservative Government for his handling of the miners' strike of 1984-85.

The first question about Mr MacGregor's price tag concerns whether his BSC performance warrants such a huge sum. Second, should this amount of money be paid for the services of any one man, whatever his achievements?

Under the agreement between the UK government and Lazard Freres, which employed Mr MacGregor, also a partner in the bank, £675,000 was paid initially to Lazard for releasing him to head BSC. The corporation had experienced difficulty in finding someone to take on the awesome task of reversing the steel group's fortunes.

An agreement was drawn up which provided for a final payment up to a maximum of £1.15m – £700,000 on the basis of BSC's results for the financial year to March 31, 1984, and £450,000 for the following year.

A Review Committee was set up to assess justification of the payments.

After four years, 19 meetings, and the gathering of a mass of statistics, the committee settled on the figure announced yesterday by the Trade and Industry Department. It is three-quarters of the maximum, which takes account of the fact that BSC is still a charge on the taxpayer, though a much reduced one.

Mr John Gardiner, chairman of the committee, is a firm believer in paying for performance. Chief executive of the Laird engineering group, he is also on the board of British Shipbuilders, whose chairman Mr Graham Day receives a performance bonus, though based on a much simpler formula.

"If you import management talent," Mr Gardiner said, "you must expect to pay whatever rate they can attract in their own country. It's a market place." In assessing Mr MacGregor's value to BSC and the savings to the British taxpayer, a long-term view was taken.

The size of the payment determined by the committee – a small fortune by UK standards, but less startling by those of the U.S. – reflected BSC's success in boosting productivity (including massive cuts in the workforce), slashing costs such as labour and energy, reducing the burden on the taxpayer and maintaining its market position.

The Government asked the committee to consider profit and loss targets, cost reductions, progress on privatisation and to assess BSC's "continuing health and strength."

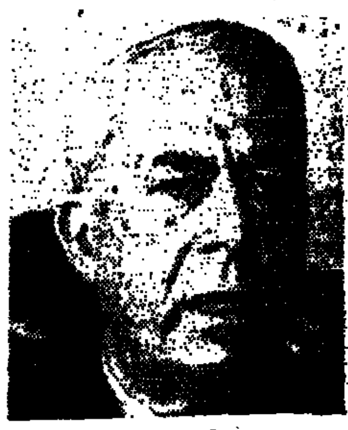
In productivity terms, annual output per worker at BSC has soared since 1980 from 84 tonnes to 264 tonnes in the first five months of this year. Thus the UK industry has equalled its counterpart in West Germany, which is already efficient enough to have achieved 218 tonnes in 1980 and is now at 267 tonnes.

This, noted Mr Gardiner, reflected a tremendous effort by BSC's management and workforce. But he added: "They haven't won the war doing this, they're getting into the fight." The industry needed to keep up the pace of growth to remain competitive, he said.

It was actually Mr MacGregor's predecessor at BSC, Sir Charles Villiers, who devised the plans to cut capacity which have been implemented in the last few years. Production has come down from 17.3m tonnes in the 1978-79 financial year to 13m tonnes, with manpower now 64,500 compared to 186,000, six years ago.

BSC costs the taxpayer around £1bn less than in 1978-79, which the committee took as its base year to eliminate distortions caused by the later steel strike. This drop was a result of Mr MacGregor's chairmanship, Mr Gardiner said.

Its yearly cash requirement in the late 1970s was nearly £1.5bn a year, if the figures are adjusted to take account of inflation, compared to around £340m now. The productivity boost alone accounts for most of this drop, with energy savings worth up to £150m. In making its assessment, the committee excluded the effect of the coal strike on last year's BSC results.



Mr Ian MacGregor

While no major parts of BSC have been privatised, around 11 per cent of its assets and 14 per cent of the labour force had moved to the private sector by the end of last year. The latest Phoenix 2 deal on engineering steels with GKN brings this up to 27 per cent on both counts.

BSC is now making a small profit for the first time in many years, but the world steel market remains harshly competitive. Having probed into the workings and finances of BSC with his four partners on the committee, Mr Gardiner said of the completed task: "It's been very long and time-consuming, and would be difficult to repeat, but it's been very interesting to see people pull an organisation together to compete in world markets."

## NatWest sells 49.8% of Diners Club

*By Margaret Hughes*

NATIONAL WESTMINSTER Bank has sold its 49.8 per cent stake in Diners Club UK to its former partner in the card company, Citicorp. This means that the UK travel and entertainment or charge card company is now wholly owned by Citicorp.

The price paid by Citicorp has not been disclosed but is believed to have been between £4m and £4.5m.

The long-expected purchase of the NatWest stake by Citicorp is part of the U.S. bank's policy of consolidating ownership of the card company worldwide. Citicorp acquired the Diners Club International parent company some five years ago from Continental Insurance of Chicago for an estimated $25m.

It has recently bought out the franchises through which the card is sold in other European countries. This leaves Italy, Spain, Switzerland/Austria and the Nordic countries as the only European markets where it does not now wholly own the Diners Club operation.

Earlier this month Citicorp also announced moves to extend its presence in the travel industry with the launch of a worldwide travel voucher scheme in partnership with Diners Club and the Universal Federation of Travel Agents' Associations (UFTAA).

NatWest said that the sale was part of its "strategic planning" for the future in which the Diners Club card "does not fit in." NatWest would not confirm that it had any plans to offer an alternative charge card.

It is already an issuer of Access credit cards. Since Access is a member of Mastercard, an extension of this facility to a Mastercard Gold Card, which operates as a charge card, would be an obvious move.

NatWest emphasised that its existing Diners Club cardholders would not be adversely affected by the sale. Under the terms of the agreement with Citicorp, NatWest will continue to cash cheques backed by Diners Club cards until March 31, 1987.

There are some 300,000 UK Diners Club cardholders, but NatWest would not disclose what proportion were its customers.

## London cable plan endorsed

*By Guy de Jonquieres*

A £30m plan to provide a modern business communications and entertainment cable television network in London's docklands development area has been approved in principle by the Cable Authority.

The plan is supported by a consortium including Mercury Communications and a subsidiary of United Telecommunications of the U.S.

East London Connections, the consortium which applied for the franchise, plans to lay two sets of cables. One will carry entertainment television channels and the other voice and data communications.

It aims to offer customers connections to the UK telecommunications networks of British Telecom and Mercury as well as overseas links. Mercury already has an international satellite ground station in the docklands area.

## Travel trade earns black mark for misleading advertisements

BY ARTHUR SANDLES

TRAVEL AND holiday industries are again one of the biggest source of complaints to the Advertising Standards Authority (ASA). Travel companies and airlines are accused of making false claims, promoting misleading prices and offering facilities which travellers subsequently find not to exist.

The latest ASA list of complaints contains 14 cases, most of which were upheld. They included a hotel at Ealing about 7 miles from central London which claimed that it was "only minutes from London's West End," the tour company whose £89 tour proved to be £129, and another whose self-catering apartments had no cooking ovens.

It adds that airline passengers are sometimes unable to take advantage of an advertised fare, not because a flight is fully booked but because the fare applies only in exceptional circumstances.

One advertiser suggested that "America is only £119.50 away." It was then found that no such fare existed and that £119.50 was the one way equivalent of an Apex return fare.

An airline that suggested that its new Business Class had much improved seating is criticised for not mentioning that this seating was not on all its flights. "Rail travellers expecting to relax in air-conditioned comfort and to enjoy restaurant car facilities also feel let down – understandably – when they find they can't do either on their particular route," says the ASA.

It castigates tour operators for not telling potential customers that facilities mentioned in brochures no longer exist.

As a result of recent complaints the ASA recommends that British Rail withdraws its poster advertising campaign which boasts of train time-keeping. In printing a poster of black dots (for trains on time) and red dots (for trains late) British Rail had put the red dots closer together making them take up a smaller space and had based its claim on statistics which the ASA felt were "inappropriate."

## Government clamp on local council's industry

BY BRIAN GROOM

THE GOVERNMENT has refused to consider allowing local authorities to compete for work in the private sector, even though it is insisting that councils offer many of their own contracts to competitive tender from private contractors.

The issue has arisen in response to a query from a Labour-controlled council in Staffordshire which was considering using its successful direct labour organisation to offer a housing repair service for private householders.

The Newcastle-under-Lyme borough council said this would allow local ratepayers to have repairs done at a competitive price, and would make a profit which could be transferred to the credit of the general rate fund.

Knowing that it was traditionally unlawful for local councils to compete for work in the private sector, the council wrote to the Department of Environment to ask if the position had changed now that council contracts for housing repairs were open to competitive tender.

The department replied that under the Local Authorities Goods and Services Act 1970 local authorities could co-operate with each other and certain other "public bodies" on purchasing and services, but could not supply goods or services to any other organisation or individual. The Government had no plans to designate further "public bodies."

It added a strong statement of policy, saying that ministers believed any extension of the powers of local authorities to supply services would not be in the public interest.

The department added: "To do so would encourage local authorities to expand rather than reduce the scale of their activities and would mean loss of opportunities for the private sector at a time when the Government wishes to stimulate their involvement in the public sector."

Mr David Hill, the Newcastle-under-Lyme treasurer, has written back to the department, saying he was under the impression that it was government policy to encourage efficiency through the spur of market forces and to encourage councils to reduce rate-borne expenditure.

"Here you have an authority which is anxious to assist the ratepayers of the area by providing a profitable service at competitive charges in order to reduce the rates," he wrote.

"I should have thought that ministers would have applauded our enterprise. However, I note that ministers are only concerned to protect the private sector from the consequences of fair competition from efficient public sector organisations. I had not realised that the policy of ministers was such one-sided humbug."

## Coal board audit goes to Ernst & Whinney

BY BARRY RILEY

THE ACCOUNTING firm Ernst & Whinney has won a contest between a short list of four firms to become new auditors of the National Coal Board (NCB).

It succeeds KMG Thomson McLintock, which has held the position since nationalisation in 1946. This firm was also shortlisted for the audit, along with Price Waterhouse and Peat Marwick.

Oral presentations by the four firms three weeks ago to a panel of representatives of the NCB, the Treasury and the Department of Energy, resulted in a unanimous decision in favour of Ernst & Whinney.

Ernst & Whinney is thought to have tendered £300,000 for the work, against £397,000 charged by KMG Thomson McLintock in respect of the 1984-85 accounts – although one or two subsidiaries have been excluded from the new remit.

The NCB accounts have aroused controversy in the past year or two, and the assessment of profits or losses in different parts of the group was rendered highly political by the miners' strike.

KMG Thomson McLintock said in last month's auditors' report that the opinion in the 1984-85 pre-tax losses of £2.2bn was affected by uncertainty about claims for surface damage, by difficulty in assessing the level of strike provisions, and by uncertainty about fixed asset values.

The decision to switch auditors does not relate to the recent accounts but to a longer-term Government policy to put nationalised industry audits out to competitive tender from time to time.

## Soup in cartons rivals tin

*By Tony Jackson*

BOWATER, the UK packaging company, has produced the first real rival to the tin of soup – soup in a carton. Produced in conjunction with the Nestlé subsidiary Crosse & Blackwell, the new soups look likely to be one of the most interesting innovations in the packaging industry for years.

The idea is not wholly new. The world's leading carton maker, Swedish-based Tetrapak, packs Campbell's tomato soup in cartons in Italy, and also has some soup-type products in Japan. These are basically liquid soups. The breakthrough from Bowater and Nestlé is to get soup with bits in it – fish, meat, vegetables – into an aseptic carton with a one-year shelf life.

In recent years, the carton has made serious inroads into the glass bottle, in markets such as milk, orange juice and even wine. With this development, it threatens to do to the same to the tin can.

Despite its century of commercial development, the tin can has one serious drawback. When the can is filled and sealed, it is not yet aseptic. To kill off all the bacteria, the contents have to be thoroughly heated. In the case of a big catering can of baked beans, for instance, it takes many hours of cooking before the last bean in the middle has been sterilised. By that time, of course, the beans on the outside have been drastically overcooked.

With aseptic packaging, it is a different story. The food can be spread out thinly and flash-cooked before being put into the carton. The new Crosse & Blackwell soups, for instance, are cooked for just 90 seconds, compared with the hour or so needed for the same amount of soup in a can. The result, the makers claim, is that the soups can contain delicate ingredients – cream, wine, herbs – which would be ruined by the canning method.

This does not mean that the way to cartoned food is yet open. The problem tends to be that if big chunks of meat or vegetables are cooked for long enough to be sterilised in the middle, the outside is overcooked

The maximum size of particle which can be handled by the Bowater method is a fairly meagre 8mm, and it will evidently be some time before that will be exended.

However, the competition are fully alive to the threat. Britain's biggest can maker, Metal Box, says cagily: "It is a development that we will be watching with great interest."

# THE MANAGEMENT PAGE



Energy management

# How savings can be fuelled by investment

BY DOMINIC LAWSON

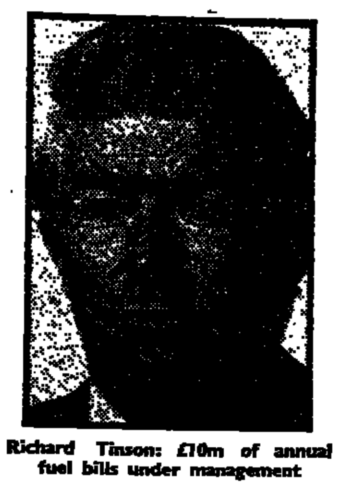
A BRITISH company which began trading at the beginning of last year is planning to generate turnover of at least £100m by the early 1990s, and expects returns on its investment of around 15 to 20 per cent. The investment will all be in the UK. The market is seen as so big exports are not on the agenda.

The company is Emstar, and it claims to be the first UK entrant into what it calls "Contract Energy Management" and what in the United States is termed "Third Party Finance." As a business concept it is engagingly simple. The "energy manager" or "third party financier" carries out a survey of a work place's energy requirement and its methods of generating that energy. Typically it will find that by the provision of a new boiler and/or the use of cheaper fuel, that a saving of about 30 per cent in the client's annual energy bill is feasible.

The energy manager provides the new machinery or upgrades old plant. The client does not put up a penny. The energy manager then takes his fee out of the savings in the energy bill that he has identified. If the savings are less than predicted, then it is the manager who will absorb the difference. Aside from funding the up-front investment, the contract energy manager will also run and maintain the new equipment.

John Ashcroft, sales director at Emstar, describes a typical Emstar contract as one in which savings of £30,000 a year in an annual fuel bill of £100,000 are promised. "We will guarantee the customer net savings of £10,000 a year, leaving £20,000 a year to repay us for the capital invested and the engineering costs, and provide us with a fee. If the savings are greater than 30 per cent then we may split the extra revenues down the middle."

Emstar will take on anyone with an annual energy bill of at least £40,000 — such as a 120-bedroom hotel. At the upper end it is now negotiating with several breweries with annual energy bills of £1m which involve front-end investment of around £750,000.



Richard Tinson: £10m of annual fuel bills under management

The deal sounds irresistible and in the United States third party financing has grown exponentially. From a standing start in 1978, when a few bright lawyers dreamt up the model contract, investment in third party finance amounted to $350m last year and is expected to hit the $500m mark this year.

Emstar, despite the name, is a wholly owned subsidiary of Shell, which carried out a pilot scheme in the UK for more than two years before unveiling Emstar in January 1984. Emstar was sent out into the world with a portfolio of Shell's mature but profitable district heating contracts. As Richard Tinson, Emstar's managing director, points out, this gave the new company a ready-made client base.

The idea has started to catch on; in September last year BP Energy started business with a similar dowry and the same aim of bringing third party finance to the UK.

District heating apart, it is not surprising that Shell and BP should be the first UK entrants into the market. Considerable financial resources are required. Up-front investments equivalent to the client's annual fuel bill are not uncommon and Tinson concedes that this year, despite its district heating income, "Emstar will show quite a substantial and significant" deficit. However, he points out that after the first few years of heavy investment Shell expects Emstar to match the rate of return the parent company requires from its more established businesses.

Given the attractive simplicity of the concept behind Emstar and BP Energy, the most surprising thing is that it has taken so long for the UK energy industry to enter the market but according to Tinson "the main characteristic of the energy market in the UK is tremendous inertia." In a similar vein, William Houston, chief executive of BP Energy says that many potential clients admit to never having thought of their energy costs, except as an unavoidable evil.

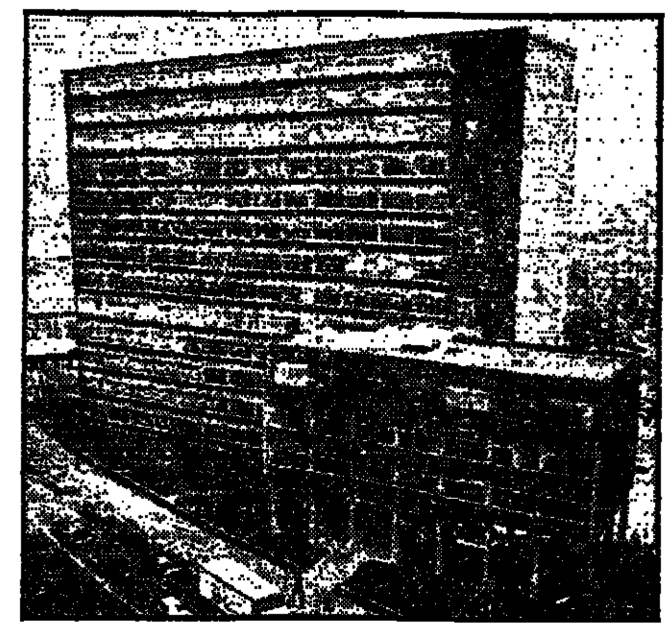
The Emstar and BP approach is to run the customers' energy systems, and to provide, in effect, an energy director for a company which may well have no employee whose specific job it is to monitor energy costs.

One trap for the unwary third party financier is that the potential customer likes the idea, but then decides to do the whole job himself. This has happened to Emstar in a couple of cases, but according to John Ashcroft "the delays such companies could experience may cost them as much as our management fee."

A more common problem for both Emstar and BP Energy is the length of time it has taken to sew up a deal. Although Richard Tinson claims that Emstar is now signing contracts at the rate forecast in its corporate plan, with £10m of annual fuel bills already under management, he admits "We did think at the beginning that we could cut down the negotiating period to a few months. But hitherto it has taken up to six months to sign contracts. The biggest problem in this business is to get turnover."

Emstar expects to be self-financing in two to three years. Paradoxically, Richard Tinson wishes it would take longer, because that would imply an even faster rate of growth.

Peter Walker, the Secretary of State for Energy argues that the UK could save £7bn on its annual fuel bills, largely through switching from oil to cheaper fuels. If that is true, then the only real constraint on the growth of companies such as Emstar and BP is the willingness of British management to listen to the arguments. Up till now, says Bill Houston, businessmen have preferred to invest in almost anything except in the reduction of its own energy bill.



Emstar is investing £25,000 in equipment and plant to improve energy efficiency at one of Sun Life Properties' office blocks, Randolph House in Croydon. It is guaranteering Sun Life rebate of 10 per cent on the current energy bill of £57,000 together with 50 per cent of any savings achieved over a set target

But he argues that as a result of the recession "over the past four years the accountant rather than the man who makes things has become the dominant figure in British businesses." So the chances of persuading companies that they should invest in cost reduction, rather than in making something, has improved. But the widget maker can be consoled by his accountant who will quickly point out that the lower the energy bill, the more money is available to plough into "real" capital investment.

The most notable example of this form of "negative investment" is provided by Shell and BP, which are effectively making money out of persuading people to use less of their main product, oil. It is because Shell believed that people might find this hard to credit—and that the deal was a devious way to sell more oil—that Shell chose not to name its new company after its own image. However, BP had the successful experience of its French energy management venture, BP Energie, to give it the confidence not to disguise its oily origins.

A more substantive difference between the two ventures is that BP, which seems less persuaded than Shell by the merit of growing very big very quickly in this new area, is steering clear of large public sector business, such as the National Health Service.

"The British psyche delights in taking an age to take decisions," says Houston, "but in the public sector this problem is 10 times worse."

But Emstar looks at the potential business, and salivates. It has carried out a survey of 14 public sector hospitals, and found that energy savings of 35 per cent could be achieved. In six of the hospitals, says Ashcroft, the fuel bill could be halved.

So far Emstar's hopes in this sector have been frustrated, mainly says Tinson, by "an infinite amount of procrastination, and ossification in decision making. At the back of local authorities' collective minds there must also be a fear that energy efficiency may be another word for job losses.

With 1986 designated by Peter Walker "Energy Efficiency Year" and Messrs Saatchi and Saatchi preparing to launch a £5m advertising campaign to punch home the message from the Department of Energy, Emstar will be hoping that it will achieve its coveted breakthrough into the public sector big time.

But both Emstar and BP Energy agree that no amount of ministerial door knocking will turn the UK into an easy market for third party finance. The hard sell is only just beginning.

Insider trading

# 'Investment should be long-term'

## The IoD is urging its members to set an example on share dealing

THE ADVENT of legislation on insider dealing should not deter directors from owning shares in their companies. Indeed, Britain's business leaders should be encouraged to do so, says the Institute of Directors.

Nevertheless, it believes that directors must set a good example and it urges its 26,000 UK members to follow a code of conduct which it largely bases on new legislation introduced to outlaw share dealing carried out with the benefit of privileged information.

In a report published today, the IoD argues that "it is good for the company to be seen with directors who are prepared to invest in their own skills and those of the company's employees; and it is good for the director in that it gives him an incentive to perform well."

The publication, entitled "Guide to Boardroom Practice No. 7: Insider Dealing," also warns, however: "The cardinal principle for any such investment is that it should not be on a short-term basis. If he holds shares only as a long term investment it is more likely that a director will deal only at a time when he is sure to do so with propriety—legally and morally."

The advice given to directors is based on recommendations given in an earlier IoD publication, issued in June 1981, following the introduction of the Companies Act, 1980. Since then, there have been several key developments in the City — not least the arrival of the Unlisted Securities Market, a wave of takeover activity and the so-called Big Bang which is bringing together banks and securities houses — together with the advent of the Company Securities (Insider Dealing) Act 1985.

In the light of all this the IoD believes it is opportune to update its advice in a code of conduct. In addition to insisting that directors should hold shares as a long-term investment and "should not deal in them with a view to making profits or avoiding losses in the short term," the main recommendations are:

- Any member of the institute with insider information about a company (whether or not his own) should not deal in the securities of the company concerned.
- Any member of the institute who knowingly receives inside information from an insider whether directly or indirectly should not deal in the securities of a company to which it relates.
- Any member of the institute with inside information should not pass it to another person if that person (or someone else) is likely to use that information to deal in the securities to which it relates.
- Any member of the institute with inside information should not encourage another person to deal in the securities to which it relates.

Observance of the spirit of the code should keep a director within the law and keep his conscience clear, says the IoD. It adds: "There is also a wide moral trust. Directors are one of the most important elements in the free enterprise, market-based system. The system can function fairly and effectively only if there is approximate equality of information between buyers and sellers. To permit insiders to deal in securities on the basis of grossly unequal information is to attack the market system at its most sensitive point.

*The guide is available from the IoD policy unit, 116 Pall Mall, London SW1, price £3.95, plus 35p p&p.*


AVIS says that its new international satellite reservations system which opened this month for UK business will speed up its reservations and invoicing systems. Next year the satellite-based Wizard system will be extended to mainland European markets.

●

WORK is almost complete on the refurbishment of one of London's best known small luxury hotels, Dukes in St James's Place. The two top floors have been demolished and rebuilt to provide bigger bedrooms and a suite, which reduces the actual number of rooms in the hotel from 55 to 51. Dukes, a hotel of Edwardian elegance and a rival of the nearby kindred spirit, the Stafford, is privately owned. Rates now run from £85 for a single room to upwards of £190 for a suite.

●

HERTZ is rejecting rival claims to have been beaten to the punch with in-car telephones on the UK market. It argues that such 'phones have been available, "on request," for two years now.

●

AIRLINE schedules and tariffs are changing at an alarming rate these days as carriers adjust to rapidly changing markets and greater competition in the air. The changes are adding to the burden of Official Airlines Guide, the Dun and Bradstreet subsidiary, which dominates the air-information business. As the changes speed up so the number of companies taking out subscriptions to the OAG Electronic edition rises. Subscribers pay a $50 joining fee and then $30 an hour for access to timetables, fares and, soon for U.S. subscribers, the ability to make reservations. UK subscribers get a local 'phone number. To get the service you need the normal electronic mail receiving facility, of course.

●

PACIFIC Western Airlines, a large Canadian regional carrier, has introduced a pass for its routes which could be of use to business visitors. A £195 ticket allows four flights on the Pacific Western network, which runs from Toronto to Vancouver as well as up to outposts like Inuvik and Resolute. It is particularly extensive in the western and central provinces. There are surcharges for long non-stop flights. Pacific Western's UK office is at 73 High Street, Ewell, Surrey KT17 1RX.

**Arthur Sandles**




FINANCIAL TIMES

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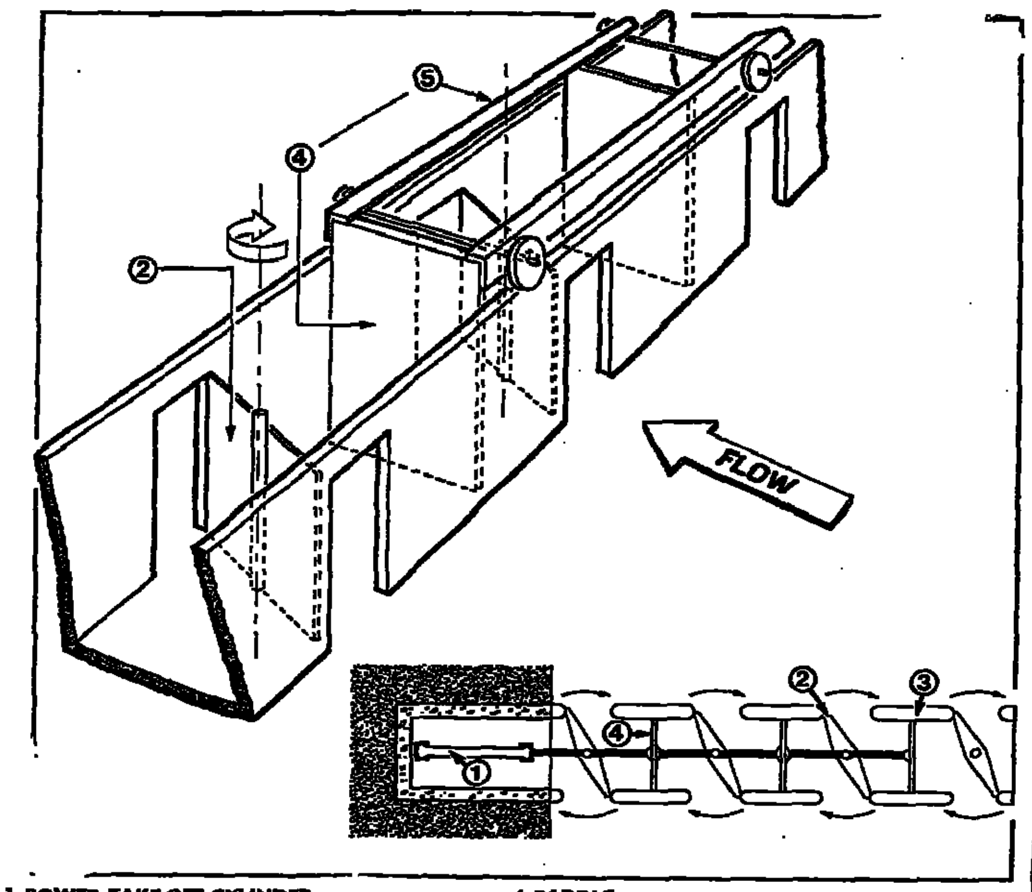
# TECHNOLOGY

EDITED BY ALAN CANE



## Tidal power begins to flow

**Alistair Guild looks at a simple means of harnessing tidal energy which is about to be tested on a Scottish island**




1 POWER TAKE-OFF CYLINDER
2 GATE
3 BARRAGE WALLS
4 PADDLE
5 CARRIAGE
(Both linked to power take-off Mechanism)

THE BLEAK and barren Hebridean Islands off the west coast of Scotland may seem a million miles away from the lush tropical rivers of Asia, Africa and South America. However, a tidal power device, due to sart trials at Sponish on North Uist next month, could have considerable potential for developing countries.

The 35-metre wide barrage device will be positioned across the entrance to Loch Howran where it empties into the sea, and will provide power for a nearby hospital. Rated at 270 kW, it has been designed to capture the energy in the three-metre head of water which builds up across the Sponish narrows.

It is costing £420,00 to install, thought to be comparable to the cost of laying a submarine cable to supply a Hebridean island, but once in place, its running costs are minimal.

The device was developed at Salford University and is known as a Salford Transverse Oscillator (STO).

According to Dr Ross Wilson, director of research at James Howden of Glasgow, which is building and marketing the device and managing the prototype installation on North Uist, the significance of the STO is its potential for economic generation of power from ultra-low-head water flows in rivers, canals or tidal estuaries.

"The majority of hydro-electric schemes in operation today have large installed capacities and generate electricity from high heads and relatively small flows," he says. "Whilst there are still many undeveloped high-head sites throughout the world, particularly in Asia, Africa and South America, their development requires major capital expenditure and the sites are often remote fromthe main centres of population, necessitating long transmission lines."

Focus is turning, therefore, to the exploitation of low-head, high-flow sites having a nearby demand for power. The problem with low-head hydropower is cost. To produce worthwhile power from low heads requires large water flows. Large flows demand large turbines. As the head is reduced, so there comes a point at which it is uneconomic to exploit the resource.

The STO, originally conceived at Salford University Department of Civil Engineering is one approach using simpler and less costly technology. It is designed to operate on heads between 0.5 and 3 metres and with outputs from 50 kW up to several megawatts.

Sponish was chosen from 56 sites in Scotland thought suitable for the STO. The installed capacity of these sites ranged from 250 kW to 7.4 MW. Together the 56 sites could produce as much electricity as a small power station.

The final choice of site was between Sponish and Callanish on Lewis. Sponish was chosen because the hospital which will take the power was nearby and because the opening to Lochmaddy on Lewis was much narrower.

At Sponish, a parallel, double-walled barrage will be built across the sea loch entrance. At regular intervals along the barrage are gaps, into which are placed vertically pivoting gates. The sections of barrage between the gates are called cells.

The gates are opened, directing the flow of water into the cells. Paddles placed in the cells are then propelled along the cell by the force of the water flow. When the paddle reaches the end of the cell the gates are swivelled, reversing the flow of water, and propelling the paddle back to the other end of the cell. The process is then repeated.

A rod linking the paddles is connected to a hydraulic ram which pumps pressurised hydraulic oil. A small proportion of the oil is bled off from the main hydraulic circuit to drive the gates, making the STO self powered.

The remainder is passed to hydraulic motors linked to electric generators. The oil can also be used directly to drive hydraulic machinery, or to produce heat by being forced through restricting valves and a heat exchange unit.

During slack tides, the barrage will produce very little power. At other times it should meet the hospital's entire requirements.

"Though the prototype will be operating on a tidal site, it could equally well operate on a river," says Dr Wilson. It is these locations which are expected to offer greatest potential in developing countries.

Should the trials prove successful, the spin-offs could be considerable. The Crouch and Hogg report indicated that Scottish industry "could reasonably expect to be involved in at least 75 per cent, and possibly 90 per cent of any prototype, and this experience will give it a lead into a potentially large market.

Construction costs for the prototype are being met by the European Commission, the Scottish Development Agency, the Highlands and Islands Development Board and the Western Islands Council.

## Chance method of computing a precise profit

A SOPHISTICATED mathematical method of estimating profits on commercial property has emerged from the lecture theatre into the real world of rents-per-square-foot and building costs, thanks to the microcomputer.

"It is simply using the computer as it should be used," says Mr Robert Greenly of Greenly's Holdings, whose computerised method for estimating residual values is used by big names like Jones Lang Wootton and Savilles. This is a very important figure for commercial agents and property companies because it tells them how much they should pay for a bare site or one in need of development.

Now Mr Greenly has added to this program a way of estimating the profit or loss to be made from a particular development. The technique is called the Monte Carlo Method because it depends to a high degree on pure chance. It is much used by mathematicians in profitability calculations, but is very new in the down to earth business of commercial property valuations.

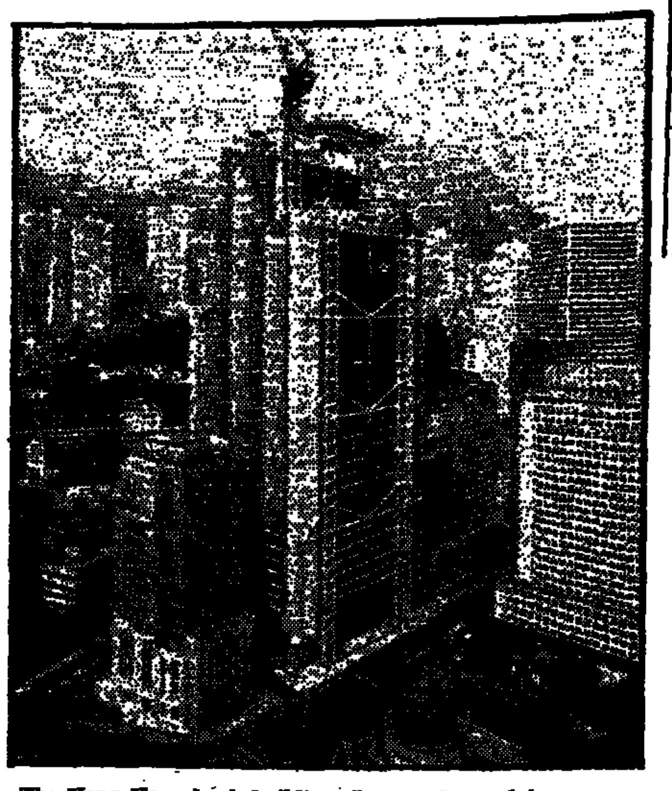
Essentially it depends on the experience of the agent or developer to set best and worst values for all the parameters which go into the residual value and development calculations—building costs per sq ft, gross area, net area, estimated rental value, the yield and so on.

Rent per square foot in London, for example, might vary between £20 and £40. A difference of only a fraction of a per cent in the yield can affect dramatically a developer's profit.

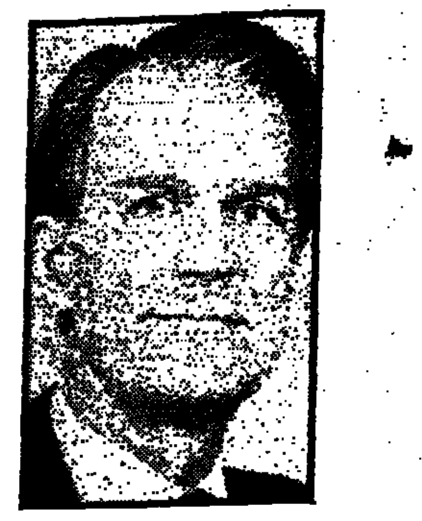
Once all the estimates have been fed into the computer, Mr Greenly's program runs through the overall calculation some 250 times, using at random the estimated values

The computer then produces a range of profit and losses which can be classed into a schedule, Mr Greenly says, to show whether a particular property development is low, medium or high risk. The surveyor is therefore able to assess more accurately the riskiness of a particular property development.

Greenly's sells the residual valuation package complete with the Monte Carlo program for £975 plus VAT



The Hong Kong bank building: Lessons learned in management of complex projects



John Ashford: New attitudes needed

## Building greater reliability into modern construction

**Better management methods are needed to prevent modern buildings falling down, reports Jane Rippeteau**

IN 1981, during a crowded tea dance at the Hyatt Regency Hotel in Kansas City, two elevated walkways that crossed the hotel's lobby collapsed, killing 113 people. This construction failure was not an isolated incident, only the most deadly of a shocking array of problems involving advanced, modern public buildings. The troubles range from structural integrity to the outer cladding that envelopes building exteriors. Not surprisingly, the subject of quality in construction is an issue of increasing attention.

But attention is not enough. Indeed, some are worried that the pace of innovation in buildings could be lagging behind the industry's ability to cope with it, both in terms of workers' skills and overall management.

"There's a paradox," says Richard Haryott, director of Ove Arup and Partners, one of the world's leading consulting engineering firms. Buildings are becoming more complex in their design, in the way they are built and in materials used, he says, and yet "at the same time, we need greater skills and a greater variety of specialised workers. You can't assume that the person on site automatically understands what you are trying to achieve, what is required and how precisely it is required."

This disparity has prompted engineers and builders to adopt so-called quality assurance programmes. This discipline has been routine for such complex jobs as nuclear power plants and offshore platforms, but now it is being applied increasingly to the design and construction of commercial buildings. It involves more than mere checking of work completed,

"It's a management system," says John Ashford, manager for quality assurance at Wimpey Group Services, a major international contractor. "The point is to transfer responsibility for whether it is right or not from the inspector to the person doing the work. It is an attitude of mind, that "You, the worker, are responsible.'"

That attitude is meant to stretch from the person drawing the design to the one putting the work in place. And it is meant to clarify who is responsible for what, so that problems can be traced. Earlier this year, the American Society of Civil Engineers held a workshop on quality assurance, when participants called for the review of one engineer's work by another for major projects. Some localities, including the city of Boston, already require these peer reviews.

The engineers were also unhappy with an industry practice involving modifications to drawings made after they have left the office of the design engineer. Such changes might involve making a detail easier to do on site and might be considered minor. Yet just such a change was blamed in the Hyatt Regency disaster.

In Britain, the Construction Industry Research and Information Association recently completed a survey on quality assurance. and is now condensing the paper for use as a guide by the industry. "It's a question of awareness of our responsibilities in the light of a number of failures, both civil and structural," says Alan Hart, an associate in industrial engineering at Ove Arup.

Not all failures involve a major structural collapse. One of the most irksome problems of modern buildings has to do with their skins, the outer cladding of windows and walls. Explains Mr Ashford of Wimpey: "It used to be that buildings had very thick walls and no artificial heating or cooling. Now you have very thin walls and buildings are heated in winter and cooled in summer." As a result, he says, the exterior walls "have to withstand huge temperature differentials, and if you don't design for that, the wall breaks up."

In a paper on this subject, Dr Thornton, cites the case of a sizeable steel-framed arena roofed with aluminium, which can expand about three times as much as steel when warmed.

Unfortunately, connections suggested by the supplier did not allow for expansion or contraction; an engineer had not been consulted. Dr Thornton recalls: "Every morning when the sun came up, the community woke up to what sounded like a combination of Rice Krispies and tin foil.

A sensitive welding job on one of the world's most sophisticated projects, now under way in Hong Kong, also helps illustrate the degree of skill that can be required

The steel frame for the new headquarters of the Hong Kong and Shanghai Banking Corporation was prefabricated in huge chunks—cross-shaped pieces of tubular steel members—and then shipped to the site. There, they were hoisted into place and welded together. This assembly job required highly skilled workers, says Mr Ashford of Wimpey—which has joint venture management contract for the job with John Lok and Partners of Hong Kong—"You might have to deposit molten metal up hill," he says. "You've got to get the right metallurgical composition, and you've got to build up the right pattern from a series of weld beads."

To ensure the welds would be done properly, the 50 to 60 Chinese welders on the job were tested off site using a full-scale mock-up of the steel sections, says Mr Ashford. If their work passed radiograph and other tests, they were certified, and periodically tested and recertified.

In the Hong Kong bank project, this attitude had to stretch back to suppliers because all major components of the building were fabricated off-site.

It was critical that everything met exacting dimensions in manufacture so that it would all fit together on site.

The bank project is unique in many ways. Certainly, it is one of the most unusual newcomers to the international architectural scene. But many of those involved believe that lessons learned there in the management of complex projects can be transferred to other buildings.

"We're moving from what used to be a craft-based industry into a completely different one," says Mr Ashford. "A construction site is tending to become like an assembly plant," but with a key difference. Assembly lines may rely on inspection of the final project and rejection of bad ones. That won't work in construction, he notes. "You have to make sure there is nothing to reject."

Atrium of the Hong Kong bank building



### CONTRACTS

## Australian refinery upgrade

A $50m (£25.9m) upgrading of BP Australia's Kwinana Refinery, south of Perth, will be engineered and designed by Stone and Webster Australia Corporation and Davy McKee Pacific Pty. The 18-month project gets under way this month. The biggest refinery in Western Australia, the 100,000 barrel a day 30-year-old Kwinana plant is being modified to make it more cost competitive. Specifically, the catalytic-cracking unit will be modernised to produce gasoline from a wider range of heavier and less costly residual feedstocks. The new cracking unit will feature Stone and Webster's FCC process. Stone and Webster will provide project management, engineering and offshore procurement services, while Davy McKee will provide engineering and onshore procurement and construction management services.

*

**BUTTERLEY ENGINEERING**, a member of the Norcros Group, has won its longest ever single order—for two kilometres (1.2 miles) of viaducts and bridges on what is believed to be one of London's largest current civil engineering projects, the London Docklands light railway. The order is worth £1.75m and involves manufacturing six viaducts and three bridges. Temperature, another member of the engineering division, has won a contract from GEC Transportation Projects for heating units to be used in the 30-metre long trains. Dow-Mac Concrete, part of the construction division, has gained a £373,000 order for railway sleepers for the London Docklands light railway project.

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The **BALFOUR BEATTY GROUP** has won a batch of orders totalling over £11m. The Transporation and Development Department of the GLC has awarded Balfour Beatty Construction a £4.1m contract for the 1.2 km long Hayes by-pass on the A312. Work includes flexible carriageway construction, three subways, an interchange at ground level, footways, cycleways and associated works. The contract period is 18 months.

A £1.27m contract for the A49 phase I trunk road division has been placed with the company by Warrington Borough Council for completion in 18 months. Work includes dualling 300 metres of carriageway and a bridge across the River Mersey in composite construction.

C & A has awarded a £600,000 management contract for modernising its department store in Sauchiehall Street, Glasgow. The 35 week contract involves upgrading six floors of the existing store in phased operations to suit the client's trading requirements.

Balfour Beatty Building has been awarded a £4.9m contract by Eagle Star Properties for the design and construction by September 1986 of four industrial warehouse units with associated two-storey offices totalling 145,000 sq ft.

Whitley Moran and Co has won awards at Cumbernauld and Battersea. In Cumbernauld, the Development Corporation has awarded Whitley Moran an £83,000 contract for completion in 20 weeks for repairing and painting concrete structures in Deveron Way and Tummel Walk utilising acrylic mortars and a protective coating. At Battersea a £100,000 plus sub-contract has been placed by R. Mansell for structural repairs to seven blocks of flats. Work involves the use of an acrylic mortar system to repair concrete balconies and supporting beams. Balfour Beatty is a member of the BICC Group.

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**FAIRCLOUGH BUILDING** is working on phase four of the refurbishment programme at the King Edward Building, King Edward Street, EC1, a contract worth over £5m to the company's Surbiton-based southern division. Being undertaken for The Post Office, phase four of the alterations conclude the repairs and refurbishment. In addition to structural repairs and alterations, Fairclough will also be responsible for redecoration, cleaning the north, east and south elevations, and replacement of corroded steel window frames with new upvc frames. The buildings will continue to be in use for 24 hours each day during the contract period, Fairclough executing noisy and disruptive work during off-peak times or at weekends. The 156-week project follows on from the first three refurbishment tasks (also carried out by Fairclough) and is due for completion in Spring 1988.

The western division has secured another hospital project in the Manchester area. The Swinton-based division, is to build a paediatric unit at Withington Hospital for South Manchester Health Authority on a contract worth close to £2m. The unit will be self-contained with its own out-patients' department, wards, clinics, treatment rooms, and isolation facilities. Part single and part two-storey, the building will be called the Duchess of York unit and will permit closure of the old Duchess of York unit in Burnage. Fairclough Building is part of AMEC.

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The engineering division of **DREXEL EQUIPMENT (UK)** based at Montrose has won the contract to build, on a turnkey basis, a mud preparation and reconditioning plant on the Queen Elizabeth Dock at Dundee Port. The plant will be used exclusively by BP Petroleum Development (Dyce) to supply its North Sea drilling requirements for low toxic oil-based muds. The contract, worth over £500,000, has been placed by the Dundee Port Authority who will in turn lease the plant to BP. The site is adjacent to the BP supply base on the Queen Elizabeth Wharf. The plant is scheduled to be handed over to the Port Authority at the end of this year. The Dundee facility, with three skilled operators, will be capable of loading 2,000 barrels per day of fresh mud to supply boats and will also be able to accept the same quantity of used mud from offshore for reconditioning. There will be storage facilities for 8,000 barrels of low toxic oil-based mud.

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The Manchester branch of **SULZER BROS (UK)** has received orders for environment engineering work for ICI pharmaceutical division, totalling over £1m. The main contract is to instal an air conditioning system for a special tablets manufacturing facility at Macclesfield in Cheshire. Eleven air handling units will be used to move 19.8 cu metres of air per second. Extract fans, chiller units, calorifiers, sanitary works and pipework will also be installed. Completion is scheduled for October. Other contracts include design and installation of ventilation systems for refurbishment of laboratories at Alderley Park, Cheshire; and modifications to existing ventilation services in production facilities at Macclesfield.

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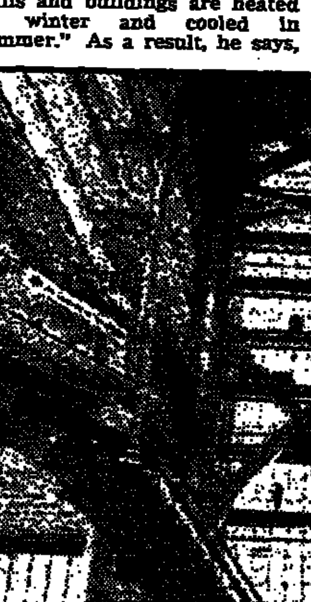


The old Queens Hotel in Leicester Square, built in 1897, has been refurbished at a cost of £4.5m for Crofthaven Properties by Wimpey. Specialist sub-contractor Connaught Southern worked on the stone facade which has been restored using Silka resin technology. A low viscosity non-shrink clear resin has been injected directly into the faces of damaged statues to restore their profiles, and has been used to stabilise the flaking stone columns.

# THE ARTS

## Television/Godfrey Hodgson

# Saintly compassion in a brutish world

This week ITN's *News at Ten* is doing four reports on the hospice movement. The occasion for this welcome departure from ITN's usual rather stereotyped interpretation of news is an "embargoed event" on Thursday which I couldn't be told about. So there is a news peg, but at the end of the series, rather than at the beginning.

The first report, at nine minutes exceptionally long for *News at Ten*, showed the Duchess of Kent working with children at Helen House, the hospice for terminally sick children in Oxford. My first grudging reaction was that it was just like ITN and its obsession with royalty to devote almost all of the report to the Duchess, and none of it to Mother Frances, the remarkable woman who saw the need for such an institution and created it. That reaction, I suspect, is unfair, because I can quite believe that it was Mother Frances herself who insisted on remaining in the background. It is also inappropriate for another reason. The Duchess's commitment to Helen House, the humanity and sincere emotion with which she talks to and plays with the children, are so transparent that she fits in naturally.

That is intended to be the highest praise. People only meet Helen House when life is at its most cruel. Either they are children with only weeks to live, children like the angelic little boy who said: "I know I'm going to die, and I'm not afraid, but I do hope I'm not around when it happens." Or they are parents, asking themselves, in Houseman's words, "what brute or blackguard made the world?" where children die before life has even begun. It is plain that the Duchess of Kent in her own life has seen the world's cruel side, and that she has decided to devote a lot of her time to helping the children at Helen House.

The four reports have been put together in a workmanlike fashion by Martyn Lewis. The hospice movement believes that it is wrong for people to be obliged to spend their last days in the terminal wards of general hospitals. Hospices provide a more caring environment for what doctors call terminal patients, and we might as well call the dying. It also wants to take what is unfortunately called a "total package" into the home of dying people, so that they do not even need to go to a hospice if they don't want to. In that way they can be helped to die with more privacy and dignity, and their living family can be helped to confront bereavement.

The whole movement strikes me as admirable: practical, compassionate and dedicated to reversing the cruel custom, imported from the US, of putting people who would be better off at home into hospitals.

Tricia Brady with her disabled husband, Frank

The only question concerns resources. For the time being it is a largely voluntary movement, but there must be a question of whether resources can ever be provided to cover the entire population; and we do all die.

The same question was raised by the second of Yorkshire Television's harrowing Monday evening series of documentaries about the Welfare State and what it has become. If the Duchess of Kent struck me as a woman of great sensitivity and compassion, Tricia Brady, in John Willis's documentary, strucke me as a saint.

Mrs Brady's husband, Frank, a manager, was struck down by multiple sclerosis at the age of 34. Fifteen years later he is virtually helpless, and in the documentary we saw Mrs Brady washing him, turning him, medicating his bedsores and feeding him, a task which sometimes takes six hours.

She does all this with great sweetness and courage and an entirely sanctifying gallows humour. When feeding him spinach, she murmured, "You know who eats spinach? Popeye. I hope it has the same effect on you it had on him."

Tricia Brady praises her husband's courage. "He would crawl rather than be immobile." Her own courage is beyond praise. When her neighbours clubbed together—anonymously, for this is Tyneside—and paid for a professional nurse to help her for a few hours a week, she said: "She really loves Frank, and probably gives him better care than I can."

"Perhaps I'm keeping him alive for my own reasons," she said, with a terrible lucidity, "It's like tending a shrine. I'm doing it for the sake of what we shared in the past." Yet this gentle woman, with her angelic smile and self-deprecating, self-protective laughter, has found the time, as well as tending a shrine of love, to campaign effectively and tenaciously on behalf of other people in her situation. She points out to keep her husband in an institution would cost £400 a week, perhaps more. There are 1.5m "careers"—mostly women—and they get nothing for the most painful, hard, heavy work which, without exaggeration, goes on 365 days a year, and often 24 hours a day.

As John Willis's other documentaries show, this is hardly the most propitious moment to propose creating another whole category of paid workers in the social services, another item in a budget that is already stretched to fraying.

The first film in Willis's series, *Home, Sweet Home*, looked at the iniquitous system that has cooped up thousands of families—4,000 in London alone—in bed and breakfast hotels, at outrageous cost to the councils concerned, for the ludicrous reason that the Government's rate-capping policies mean that councils cannot spend money on capital account to build new accommodation, but can pay £100 a week and more for poky, often unhealthy and dangerous rooms because that is on current account. Out of the impecuniousness of local government and the misery of some of the most vulnerable people in society—we saw a woman going straight out of hospital after having her second child to bring up two babies on supplementary benefit, without a father, in one small room—great fortunes are being made.

Yorkshire's film named guilty men and women—some Indian, one Greek, most of them true blue English. Indeed, the entrepreneurial spirit is not dead. From a back-street hotel it is possible to make half a million pounds a year. On that cash flow, it is easy to buy a dozen hotels, and rent rooms in them to councils for £100, £200, £250 a week. Sometimes the same room—supreme stroke of cost effectiveness—is let to two different councils.

Worst of all was the case of the "respectable," indeed politically well-connected, businessman in Newcastle who, accordingt o the film's entirely persuasive witnesses, not only exploits the young unemployed women in his hotel, but leaves their rooms without locks so that they are available to accommodate him sexually on demand as well.

This is the world of *Bleak House* and of *A Child of the Jago*. John Willis's film-making style is the more effective for being unhysterical, almost unemphatic. "Look," he seems to be saying, "there is pain out there, and poverty, and anger, and also exploitation. Some of the people who are driving around in Jaguars are not defensible, and some of the people who live off supplementary benefit are careful, conscientious, even well-organised. But don't ask me what can be done about it."

*Living on the Line*, which was transmitted this week, started with an image of unemployed boys on Merseyside fighting for scraps from the council tip. It then looked with more subtlety at three people. One was a conscientious, unemployed father of three, who queues up every day to buy yesterday's bread half-price—thanks to one of the most successful new enterprises in Bradford, which was once one of the richest cities in Europe. Another was a middle class girl of 18 from South London trying to bring up an illegitimate baby in an unheated tower block flat. There were unanswered questions there about other people's responsibilities: the father's, and the girl's family's.

And there was the boy who has to look after his two parents and grandfather, all ill. He wants desperately to go to drama school, but the auditions never come. "I cope with the pressure by crying at night, thumping pillows, living in a fantasy world." One night he nearly takes 13 sleeping pills. And then the letter comes, offering him three years at drama school. He whoops round the house with understandable joy. But does he realise that his good news is condemning his mother and father to separate institutions?

I admire John Willis's films, and find them moving. But they make me uneasy. I keep coming back to the white working class girl who kept repeating that all she wanted was a flat, it was her right; and to the black social worker who kept telling her, to her great anger, that that was what they all wanted, 1,500 of them every day.

I suspect that Willis thinks his films are political, and that they constitute a powerful plea for social policies that will make this a land where if you want to have a baby, or become an actor, or move into a nice flat when you haven't any money, it's your right.

But we couldn't afford that when we tried it before, and can afford it even less now. Socialism, Aneurin Bevan said, is about priorities. So is any social policy, whatever political label you give it. There are so many deserving causes, so few resources to go around.

## Michael Clark/Edinburgh Festival

### Clement Crisp

As a first dance offering, the Edinburgh Festival proposes Michael Clark and his dancers in a new work called, aptly enough, *our caca phoney H*. For those who know Mr Clark's previous creations the title is indication enough that this is to be the mixture as before. Only more so. For those who have yet to sit through an evening of the new brutalism, it is hard to make any coherent order from the parade of barbarism, high-octane vulgarity and cross-dressing which is the Clark message to the dance world.

The effect is of a young man hurling what he supposes are grenades of rudery, of verbal and choreographic obscenity, at a complacent world. As a manifestation of the present punk revolt among the young, the evening has a slight, if weird, interest. But as a display of organised dance material the piece has only a frantic and ill-directed energy.

Aesthetically Mr Clark still seems a naughty adolescent trying to get some reaction from his public by pop noise and sexual bombast that combines nudity and priapic bravado. Mr Clark performs one dance in a frilly apron through which the male member is generously on view before it is torn off by one of the girls on the troupe.

This scene suggests certain curious resonances in the show from a much more ancient tradition, found in the grotesque players of the Greek comedy and Pompeian painting, in orgiastic rites, as well as in the transvestism of the music-hall. Mr Clark spends plenty of time in frocks; his male companions, Leslie Bryant and Matthew Hawkins, are also, as it were, dragged up — Mr Hawkins for Ascot; Mr Bryant is very funny as a maternal figure eager to get a nude girl to put some clothes on.

These are minimal jokes in a performance which flings everything at us in the hope that some mud may stick. The evening begins promisingly. Mr Clark, Mr Hawkins, Julie Hood and Ellen van Schuyelenburch are found dancing in demurest fashion, and the true pleasure of the work lies in the continuing clarity of Mr Clark's style — pure line, harmony of placing — before he deforms it with the brutalisms which so tediously ensue.

Of theme, development, I could find no trace. There are references to religion (and an odd hint of the black mass), and to various forms of sexual congress. The dance bangs and clatters about the stage. Mr Clark makes some inaudible speeches; various naughty words surface through the din; the roar of the rock score is for addicts only. The last section (the piece is in two parts) goads the cast into an apotheosis of strutting and capers, in which they are joined by two groppies from the audience, cavorting in the aisles and then de-kilting themselves on stage.

The abiding impression is of a young dancer in quest of his creative voice through wilder and more blatant extravagances. But with no controlling sense of form, or any aesthetic resources beyond vulgarity, Michael Clark remains no more than a hooligan. As a true dance anarchist, as King Ubu of post-modernism, he has a long way to go.

## L'Etoile/Edinburgh Festival

### Max Loppert

One of the most joyous events of 1984 was the rediscovery of Chabrier's operetta *L'Etoile* by the Opéra de Lyon, in a production subsequently taken to Paris and also recorded by EMI. A year later, the Lyon company under its chief conductor John Eliot Gardiner makes at Edinburgh a first British appearance, performing Chabrier in tandem with *Pelléas et Mélisande* in the first week of the festival. As seen and heard on Monday at the King's Theatre, the operetta proved to be one of the most captivating things to be given here for years; it must surely come to count as the operatic triumph of this year's French accented Edinburgh schedule.

I recounted on this page the pleasures of the piece when the production, by the Lyon artistic director Louis Erlo and Alain Maratrat, came to the Opera-Comique last October. But I cannot resist going over them once more, even if only briefly, because the Lyon performance, in far better trim than the Paris premiere, and conducted and played with magical deftness of touch, conspires to display them all in the best possible light.

In the past, the legend that attached itself to the work was of a wonderful tissue of musical charm and fantasy wasted on a weakly inconsequential libretto. Inconsequentialities remain; but, although the modernised staging with its streaks of Marx Brothers humour and its occupation of the whole auditorium threatened at the start to get a little out of hand, the jokes are made to seem continuously airy and funny, and so the beauties of the score can be relished unimpeded. The whole thing develops a sparkle and a speed of delivery (aided by happy a-tions of English to the French spoken dialogue) that English operetta almost never seems to acquire.

It is an exquisitely fashioned score—not a dull bar, not a dead instrumental line, a sense of vocal usage that supplies comic and sensuous effect at the same moment. The sheer quirkiness and profuseness of Chabrier's imagination enthral: he had a Stravinskyan command of rhythm, the genius for setting farcical situations alight of an Offenbach, and, different from those, a tender warmth of heart that is felt at all times beneath the high-spirited nonsenses. Though long loved by famous admirers, it has taken a long time for this work to come into its own. With this Lyon urging, that has surely happened at last.

Only summary praise for the cast, almost all familiar from either the records or the Paris showing. Of the leading travesty role of the pedlar Lazuli, Colette Alliot-Lugaz gives an extraordinarily distinguished account—madcap, delicate, strangely and deeply touching. Georges Gautier (a charmer of a light tenor) and Jules Bastin (in his most splendidly rotund form) are the court drolls; the heroine, Ghylaine Raphanel, has one of the purest and most finely produced light lyric sopranos to come out of France in recent times. All the singers should ideally be mentioned: it is that kind of ensemble performance. One hopes there is some way Lyon's *L'Etoile* can be brought to London to share its delights with the metropolis. Meanwhile, two more Edinburgh performances, this week, of the jolliest show in town.

## The Daughter-in-Law/Hampstead

### B. A. Young

D. H. Lawrence's theme in his sensitive and original play *The Daughter-in-Law* is one that is familiar from other of his works—the dominance of the mother in the family. Mrs Gascoigne (pronounced Gaskin) has had six sons but she is unwilling to let the youngest two, Luther and Joe, out of the maternal cage. It is inevitable that she will resent Luther's wife, Minnie; but the situation is complicated by Luther having got another girl into trouble. The situation is most delicately presented; we never see the girl, only her mother, and we do not see Luther until the family relationships have been presented by Mrs Gascoigne and Joe, the younger brother.

The action takes place in a Nottinghamshire mining-district in about 1912, where respectability is taken seriously but regarded as easy to arrange. It is decided that if the girl says that the baby came from a peripatetic electrician, and she is paid £40, the matter will be settled. But where is the £40 to come from? Well, Luther's wife Minnie, who has been in service and collected both artistic tastes and £120 savings, should be able to cope; but Minnie has more sense, and after a row she goes off to Manchester, buys a ring and some prints, and leaves herself with 17 shillings. "Now you've got to keep me," she tells Luther, who for most of his life has been kept by his mother.

As if this weren't enough, there is a strike at the mine, and the men are called out to keep the blacklegs away while the Army stands by to prevent them doing so. Out of these ingredients, Lawrence has made a moving play with some memorable scenes. The climax comes in the third of four short acts, when Minnie challenges Mrs Gascoigne for the way in which she has spoiled her sons; and to his mother's surprise and despiar, Joe agrees with her. The maternal hold is loosed; and in the next act, when Luther is missing all night on picket duty and there has been fighting, it is Mrs Gascoigne who comes to Minnie for help, not the other way.

Cheryl Campbell's Minnie is an interesting creation. Her days in service have given her a ladylike mien that she is willing to sacrifice in housework, as long as Luther (James Hazeldine) does his share and does not go on being "a tame rabbit." Her character is split down the middle between sentiment and authority, and only at the final curtain is sentiment allowed to take over. This is a memorably fine performance.

Mrs Gascoigne is played by Mary Wimbush as a plump Valkyrie, and there is no question with her about anything overcoming authority. She is, among other things, mistress of Lawrence's Midland dialect, which is written in the script with as much care and more accuracy than Shaw's Cockney.

James Hazeldine as Luther is another split personality, who knows that he ought to shout at his wife and bash her about, but does not know how to go about it. Joe, the younger brother (Lorcan Cranitch), is more positive. He says he wants to go to Australia; but his mother's reaction to that is that if he does, she will come to, and he is still as tame a rabbit as Luther at the end of the play. Sandra Voe gives us a quiet Mrs Purdy, not so much indignant about her daughter's pregnancy as anxious to have it settled.

I thought John Dove's production highly expert, with the hard-to-follow dialect all spoken as if it were familiar for a lifetime. The sets by Geoff Rose follow Lawrence's requirements scrupulously. This is a very good evening indeed.

## Britten Première/Snape Maltings

### Paul Driver

The last première of a mature work, albeit fragmentary, by Benjamin Britten, took place at the Snape Maltings on Sunday night as part of a concert by the Philharmonia chorus and orchestra concluding this year's Rostropovich Festival, the third so far. Rostropovich, who has conducted or played cello in all the events of this musical long weekend, directed the first performance of a work, *Praise We Great Men*, he himself originally commissioned from Britten—it was to have been included in his first big concert with the National Symphony of Washington in 1977. The composer died with barely half his piece completed in short score. His amanuensis, Colin Matthews, subsequently orchestrated the fragment and added a coda; only now have the composer's executors felt the time was right to hear the piece as it stands.

It is seven minutes of a cantata for moderate-sized orchestra, mixed chorus (Britten imagined a "youngish" one) and four soloists (Britten thought of them as leading singers of the chorus rather than "fully-fledged"—on Sunday they were fully-fledged). The text is the poem of the same title which Edith Sitwell wrote for a concert Britten conducted in 1959 and inscribed to him. It is a rather fine, warmly rhetorical poem, and contains among other stimulating suggestions a number of musical references obviously designed to spark off the composer's imagination, but unfortunately coming in the part he did not get round to setting. He did not hesitate to cut lines as he pleased; there are five deletions in the section he finished.

The musical style is vigorous, direct, even youthful: there is little of an old man's visionary remoteness about it, though plenty of evidence of long-maturing technique. The opening bar—a typical burst of enthusiasm from unaccompanied choir—sets the tone, which is maintained in spite of the slightly sour skitterings on woodwind and tuned percussion which are immediately added, or later chromatic excursions of the discourse. In a work of praise Britten's simple, amazing effective choral writing comes authoritatively into its own.

Among several notable stratagems of word-setting should be mentioned the eloquent tenor solo, *Praise to the Just*, which is accompanied by softly flowing horn harmonies and a long sustained C, symbolic of Justice, in all the strings. This is the music which Matthews recapitulates to round off the piece when it suddenly ceases after a mezzo-soprano solo. The effect is to be brought from the jubilant, positive realm of Britten's living imagination peremptorily into a chilly reminder of his death. It is a perfectly good solution to the problem of performing the fragment, but not exactly a happy one.

I'm not sure that *Praise We Great Men* will easily secure a concert niche for itself. Its joyful message is inevitably outweighed by the listener's sadness and frustration. But it was exciting to discover it on Sunday, in Rostropovich's good account (repeated immediately, with fine soloists Marie McLloughlin, Heather Harper, Philip Langridge and Richard Jackson. In the second half we heard Rostropovich's astounding, definitive, interpretation of Shostakovich's 5th Symphony.

# Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

August 9–15

## Theatre

### NETHERLANDS

**Amsterdam**, Stadsschouwburg. Yukio Ninangawa's Samurai version of Macbeth, with Mikijiro Hira in the title role, and Komaki Kurihara as Lady Macbeth. (242311).

### LONDON

**Sweet Bird of Youth** (Haymarket): Lauren Bacall elegantly decadent as Tennessee Williams's doomed movie queen. Harold Pinter's direction and Eileen Diss's evocative designs contradict the play's lopsided reputation and place the central tussle between the star and her gigolo (Michael Beck) against a detailed canvas of small town Southern vengefulness by the sea (930 9832).

**Noises Off** (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

**Starlight Express** (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

**On Your Toes** (Palace): Rodgers and Hart's 1936 musical is a genuine ton-ic. American jazz dance collides with the Ballets Russes. Gems include There's a Small Hotel, Glad to be Unhappy and the Balanchine ballet for Slaughter on Tenth Avenue. (437 6834).

**42nd Street** (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (836 8108).

**Me and My Girl** (Adelphi): Sleek, efficient and enjoyable revival of Britain's biggest war-time musical hit with Robert Lindsay in the Lupino Lane role emerging as the best new musical star since Michael Crawford. (836 7611).

**The Government Inspector** (Olivier): Striking but unfunny revival with under-equipped TV comic Rik Mayall playing the poseur as a shrieking nose-picker. Richard Eyre's production for the NT lacks either comic tension or true delirium but, with John Gunter's imposing design of bureaucratic bumf, the show has a sort of monumental starkness as well as nightmarish tedium. New translation by Adrian Mitchell. (928 2252).

**Barnum** (Victoria Palace): Michael Crawford returns to London with his breathtaking performance as the circus impresario, adding one or two new tricks in a likeable meringue of a musical. (834 1317, credit cards 828 4735).

**Jumpers** (Aldwych): Confident almost sober revival of Tom Stoppard's glittering comedy of love, murder and linguistic mayhem among the logical positivists, with Paul Eddington a more earth bound George Moore II than was Michael Hordern, Felicity Kendal delightful as his retired musical comedy wife. Peter Wood directs. (836 6404, credit cards 379 6233).

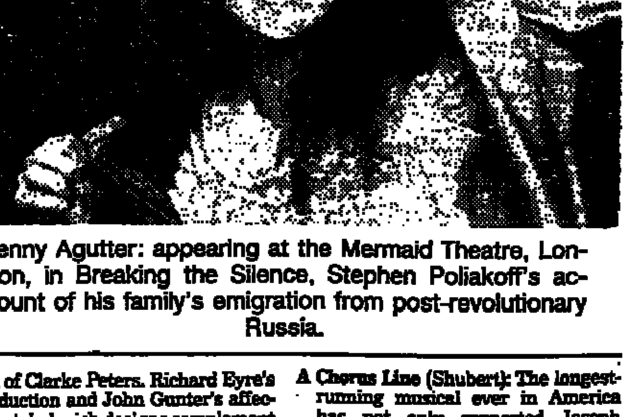
**Richard III** (Barbican): Last year's Stratford-upon-Avon production with Antony Sher demonically exciting as Richard in the RSC revival by Bill Alexander. Plays in repertory with Roger Rees as Hamlet and Kenneth Branagh as Henry V. All worth seeing. (628 8795, credit cards 638 8891).

**Pravda** (Olivier): Entertaining epic new play by David Hare and Howard Brenton for the National Theatre in which an unscrupulous South African magnate acquires Britain's most prestigious newspaper. A Jonsonian satire on the grand scale with an irresistible performance by Anthony Hopkins as the colonial who penetrates the Establishment while a nation dithers. (928 2252).

**Breaking the Silence** (Mermaid): Another RSC transfer, of Stephen Poliakoff's account of his family's emigration from post-Revolutionary Russia, Alan Howard succeeding Daniel Massey alongside Jenny Agutter. Ingeniously set in an Imperial railway carriage. (236 5568).

**The Mysteries** (Lyceum): The theatre of Henry Irving and Joe Loss restored for theatrical performance after 40 years. Bill Bryden's NT production in three parts is not to be missed, one of the great events of recent years. All three shows played on Saturdays for this limited run. (379 3055).

**Guys and Dolls** (Prince of Wales): The 1982 National Theatre production has arrived in the West End, if anything improved by the new casting of Lulu as Miss Adelaide and the notably well sung black Sky Masterson of Clarke Peters. Richard Eyre's production and John Gunter's affectionately lavish designs complement this most joyful and literate of musicals, a fitting tribute to the recently deceased co-librettist Abe Burrows (930 8681).



Jenny Agutter: appearing at the Mermaid Theatre, London, in Breaking the Silence, Stephen Poliakoff's account of his family's emigration from post-revolutionary Russia.

### NEW YORK

**Cats** (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

**A Chorus Line** (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

**Sunday in the Park with George** (Booth): Inspired by the Seurat painting, Stephen Sondheim fashions a musical with dots and dashes of song that end too soon but work well with Tony Straiges's pretty set and James Lapine's book which changes gears in the second act. (239 6262).

**42nd Street** (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

**Brighton Beach Memoirs** (46th St): The first instalment of Neil Simon's mix of memories and jokes focuses on a Depression-era Jewish household where young Eugene falls awkwardly in love with his cousin. (221 1211).

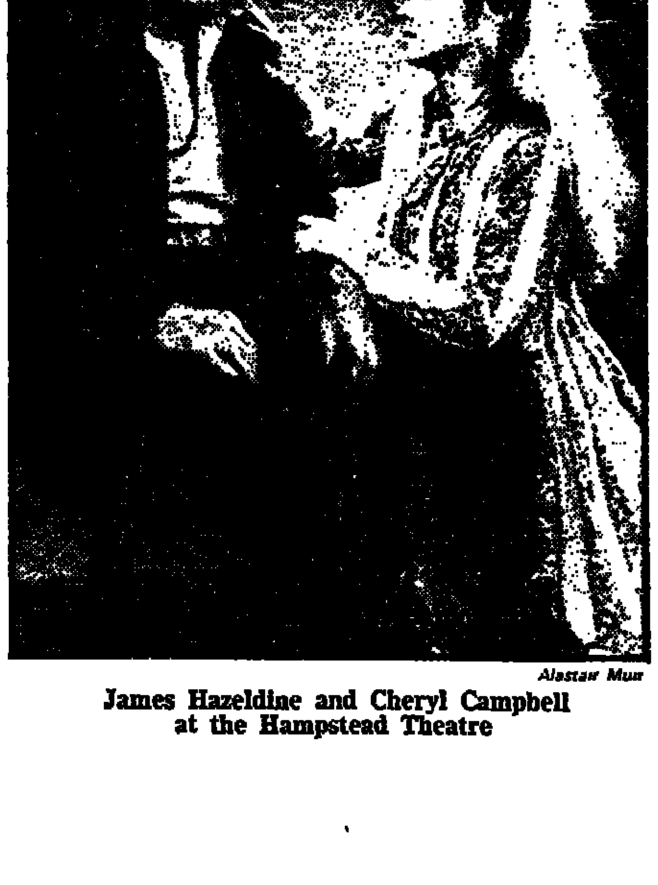
**Dreamgirls** (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group, à la Supremes, without the quality of their music. (239 6200).

**La Cage aux Folles** (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

**Torch Song Trilogy** (Helen Hayes): Harvey Fierstein's touching and funny recollections as a drag queen add up to the best histrionic Sarah Bernhardt role on Broadway today. (944 9450).

### WASHINGTON

**Count of Monte Cristo** (Eisenhower): The second production of Peter Sellars' new American National Theatre company is the James O'Neill version of this swashbuckler. (254 3670).



Alastair Muir

James Hazeldine and Cheryl Campbell at the Hampstead Theatre

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Telephone: 01-248 8000

Wednesday August 14 1985

# TUC cry from the wilderness

THE Charter for Change launched by the TUC yesterday is rather a sad document. It eloquently expresses the frustration of a body which has progressively been shut out of policy-making in the last few years, but does little to establish any claim to be taken seriously.

The analytic quality is a sorry come-down from the standards that Transport House used to set in its economic reviews; figures, for example, are used so selectively as to revive the old chestnut about lies, d - - d lies and statistics.

The policies recommended mix some rather good and some downright awful ideas, with a strong overtone of nostalgia for the brave days of the 1960s and the ideas which flourished then. Most depressing is its insularity — despite a discussion of international trade union views. The TUC seems unaware of how modern socialism is developing.

Good propaganda has its uses, of course, and the drafters have some effective knock-about fun at the expense of the Government and its missed monetary targets and over-optimistic forecasts. Most of the criticisms have been heard before, but are borrowed from respectable sources — the CBI, Lord Weinstock, and, it may be suspected, from our own columns. The characterisation of the Government's vacuous White Paper on employment as an admission of defeatism is shrewd, and will no doubt be taken up by Opposition speakers of all parties.

### Projections

The central policy recommendations are a mixed bunch, but at their best where they are least original. The TUC's ideas on reflation, as might be expected, have been scaled down to match the relative moderation of Messrs Hattersley and Kinnock, and are indeed illustrated from the Chancellor's own recent projections of future scope for fiscal adjustment. The stress on the development of human capital and industrial research is welcome — and might indeed get a sympathetic hearing from Mrs Thatcher could communications be restored.

The TUC is also right to stress the problems that declining oil production will pose, and echoes the CBI on competitiveness.

At this rather early point, however, we begin to run out of compliments. Trade unions are centrally concerned with pay, but the discussion here is very thin, and still manages to be self-contradictory. As is almost traditional, the TUC is concerned both with low pay and to defend differentials. It is concerned to restore public sector relativities, to ensure a "decent annual increase is real pay" for all, and yet dwells on the loss of real national income from oil.

There is only a single-throw-away phrase about the problem of cost inflation; rather than confront the problem of incomes policy, we get a lot of coded talk about the merits of "progress through agreement," and admiring paragraphs about Sweden and Austria without a word about the pay consensus which has been so successful —most of the time—in those two countries.

The best that can be said is that at least we are spared the usual rhetoric about "free collective bargaining"; there is nothing here actually to forbid the TUC from discussing incomes with a future Government which might wish to discuss policy with the unions. This is not much to build on.

### Realities

What is wholly deplorable is that the TUC is not only in favour, as might be expected, of renewed exchange controls (perhaps realising that the present upward pressure on sterling because capital wants to get in would not be a problem if political developments favour the TUC), but also, unlike the Labour Party, of selective import controls.

This gives the lie to much talk about the need for efficiency and the need to provide markets for poorer countries; the multi-fibre agreements, which operate only against poor countries, are singled out for praise.

These are still early days in the development of the new, studiously moderate Labour consensus, and there is time for the TUC to remember its old expertise in making macro-economic sums add up—and perhaps to learn that the Reagan experiment is deficit financing is not all wine and roses.

The insularity, though, suggests that the TUC has simply turned inward in its current distress. A fund to enable union leaders to visit effective market socialist regimes—in Australia and New Zealand, in Hungary and China—and perhaps, before too long, in the USSR—would be a worthy charity.

We need a TUC alive to the realities of the 1980s, not the past.

# France's summer troubles

THE MONTH of August which French people, perhaps more than any other, look upon as a sacred period of rest and recreation, has turned out to be an unwelcome time of activity and frustration for President Mitterrand and his Government.

Many of the President's foreign chickens have chosen this, of all times, to come home to roost, requiring even an extraordinary session of the National Assembly and the postponement of an important visit to Japan by the Defence Minister, M Charles Hernu.

Some of the problems that have arisen are entirely of the French Government's own making, such as the second thoughts it seems to be having about participation in the European Fighter Aircraft project, on which agreement was reached early this month by Britain, West Germany and Italy.

Things will doubtless become clearer after the meeting between M Mitterrand and Herr Helmut Kohl, the West German Chancellor, later this month. The assumption must be, however, that Bonn will not back out of its agreement with London and Rome at this late stage, even for the sake of the hallowed Franco-German alliance.

M Mitterrand, for his part, will not want to strain that special relationship to breaking point, when he is facing even more intractable problems elsewhere.

### Referendum

Those problems are situated mainly in the South Pacific, where the Government's successive proposals for the political future of the French island of New Caledonia, have run into the often violent opposition of the white settlers, as well as being rejected by the Gaullist and Centrist opposition parties at home.

The procedure adopted by the Socialist French Government for the eventual granting of independence to the South Pacific territory, in line with the basic demands of the indigenous Melanesian, or Kanak population, has already been blocked on one occasion.

Yesterday, the Socialist-dominated French National Assembly, which had been recalled for a special summer session by M Mitterrand, passed an amended Bill granting a few more seats to the white population in the constituency of Noumea, the New Caledonian capital.

The Bill now has to go to the opposition-controlled Senate before returning for final approval to the Assembly. But the opposition parties, including one of their chief representatives, former President Valery Giscard d'Estaing, still claim that the Bill is unconstitutional and have promised to refer it back to the Constitutional Council.

The upshot of all these political manoeuvres is that the elections for regional assemblies in New Caledonia risk being delayed and may not now take place until the end of this year, if then. That is a dangerous prospect for M Mitterrand, given the imminence of next spring's general election in France and the likelihood that the opposition parties will emerge from them with a substantial majority in the National Assembly.

The future of New Caledonia is an emotive issue in France, which the opposition parties will certainly continue to exploit to the full. The problem contains at least one of the elements which made the granting of independence to Algeria such a painful, long drawn-out and bloody process: a large number of settlers of French origin, making up some 37 per cent of the total population, prepared to fight to the death for their cause.

It is clearly not the kind of issue that any political leader, least of all one whose support in the country seems to be dwindling, wants to be saddled with during an election campaign.

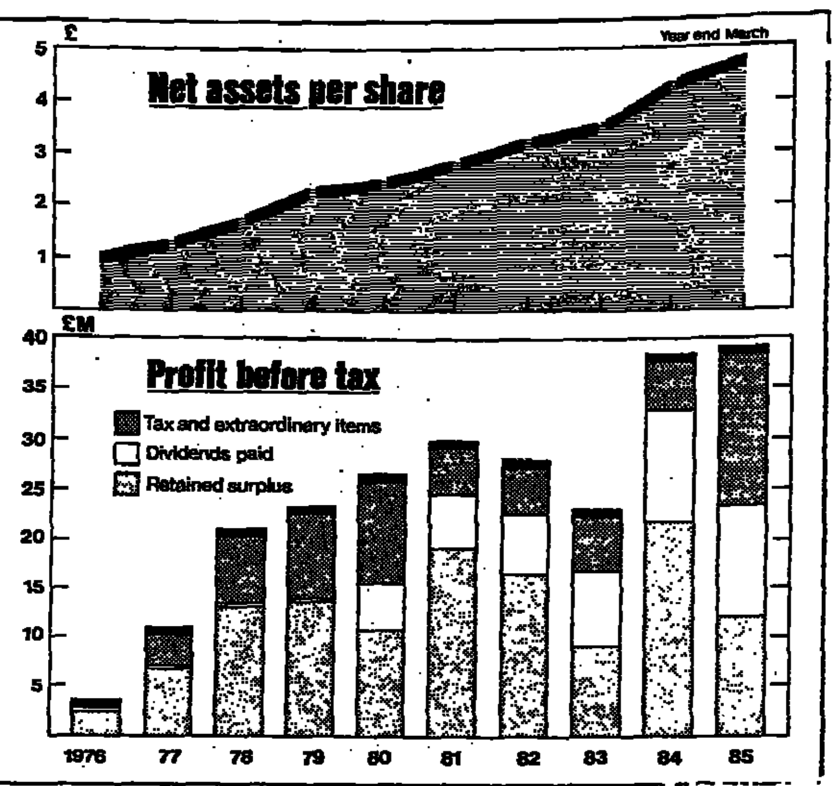
One of M Mitterrand's strongest points has always been foreign affairs, but he has recently lacked the deft touch required to give the party, of which he was once the leader, a fighting chance next spring.

UK VENTURE CAPITAL

# Why all eyes are on 3i

By David Lascelles, Banking Correspondent

Jon Foulds




Dane Wilson

"WHAT a development opportunity," sighs Mr Jon Foulds as he gazes from his South Bank office window over the vast expanse of grimy glass covering London's Waterloo Station below.

A typical reaction, perhaps, from the man who runs Investors in Industry (or 3i as it now prefers to be called), Britain's largest venture capital company with a balance sheet of £1.7bn. But if Mr Foulds spends his time on the look-out for what he calls "the hidden entrepreneurs" who need a hand to get their business ideas moving, he is also now a man concerned with his own company's future.

For more than six months, 3i's owners—the big UK clearing banks and the Bank of England—have been considering whether to sell the company, and if so, how. The move was prompted by Midland Bank which needed to realise capital to help it through the losses it sustained from Crocker National Bank, its California subsidiary. But other clearers are also receptive to the idea.

"Capital is a scarce commodity," Sir Timothy Bevan, the chairman of Barclays Bank, said earlier this month when discussing his own bank's attitude to the sale. "That makes us much more concerned about capital that is locked up." Other clearers have commented that 3i increasingly competes with their own growing venture capital business, and this could be a reason to sell out.

But the lengthy deliberations —and the secrecy in which they are shrouded — demonstrates how the sale of 3i is a much more complex matter than just dumping it on the market to raise money or to get rid of an in-house rival. The task is so complex that merchant bankers Morgan Grenfell were called in to analyse the options.

3i is a special, if not unique, institution considered by all to be A Good Thing, not to be damaged through sale. This view is being argued chiefly by 3i's only non-commercial shareholder, the Bank of England, and by 3i's management itself, though the banks are clearly sympathetic to it too.

"It is absolutely essential that our ability to continue to take a long-term view of investment is preserved, together with our high standing in financial markets which enables us to raise all the money we need at the finest rates," Lord Caldecote, the chairman of 3i, says in its recently released 1985 annual report.

3i—or rather its predecessors the ICFC and the FCI (see panel)—was formed 40 years ago to provide the riskier types of long-term finance for British business. The clearers and the Bank of England were brought in as owners out of what Mr Robin Leigh-Pemberton, the present Governor of the Bank, calls "their national duty." For two or three decades, it was virtually the sole source of venture capital in the UK.

In the last 10 years or so, the other banks and other financial institutions have begun to develop their own venture capital business, to the point where there is now, if anything, a surfeit of funds chasing new business ideas. However, 3i remains both the biggest and, in many people's view, the most successful venture capital company in the UK.

Today, it is organised into three basic groups:

- Advisory companies which provide consultancy and portfolio management services and perform essential tasks like rescuing companies in distress.
- Investment activities through which the bulk of 3i's investments are made. These are grouped largely round 3i Regions, formerly the ICFC which provides finance for medium and small business. Another group, 3i Ventures, is at the "sharp end" of the market, finding promising new high-growth companies which need both money *and* managerial expertise. There is also a group which handles 3i's activities in the City, mainly putting together deals with the corporate finance departments of merchant banks for larger companies.
- International subsidiaries including 3i's activities in Europe and the U.S. where it has offices in two of the leading hi-tech growth markets, Boston and Southern California.

3i has profitably invested a total £2.12bn in the form of both equity and long-term loan finance in the last 10 years, though the trend recently has been towards smaller enterprises (over half of last year's £345m investments were £100,000 or less).

"We have the skills to operate at the margin of risk," said Lord Caldecote. 3i prides itself on the technical and managerial experience of its staff, which is fairly tight-knit and, since it has to compete with well-heeled City employers, well-paid.

3i Regions, for instance, claims to have pioneered the management buy-out in the UK more than a decade before it became fashionable. It has a pool of some 30 industrial advisers who are experts in their field and able to evaluate many of the 12,000 or so propositions it gets each year (about 1,000 of these get off the ground).

3i City, on the other hand, deals mostly with professionally managed, listed companies, and works on sophisticated financial packages in conjunction with other financing institutions. Among its claimed "firsts" was the UK deep discount bond, for William Collins, the publishers.

3i's relatively greater size than other venture capital outfits also enables it to take on slightly larger commitments, another special feature. "It's easy enough to round up £15m of equity for an unlisted company," said Mr Ewan Macpherson, director of 3i City. "It's a different matter if you move on to £30m."

3i Ventures, by contrast, says it is in the "business of building businesses" as opposed to just investing in them. Though one of the smallest parts of the group, it gets very closely involved with the companies it handles.

But it is a treacherous business. Last year 175 of the group's companies, or 5 per cent of its portfolio, went out of business. Profits were also hit by a £9m provision against investment losses in the recession-hit shipping industry.

But this record is no worse than others in the risk capital business. Considering 3i's close involvement with high growth markets, it is probably above average.

One of the reasons most frequently given for its good record is that 3i's owners do not clamour for fatter profits and higher dividends year by year — it is thus sheltered from pressure to perform well in the short term. It can invest in promising companies which will not show an immediate return.

This is not to say that profits have not risen; they have, but erratically. They fell in 1982 and 1983, mainly because of the effect of the recession on its investments in small, fragile companies, and the highly conservative accounting policies it uses to write down the value of ifts investments where prudence dictates. Earnings per share have not made any real gains since 1981.

According to Mr Don Clarke, the group's general manager of finance, 3i could have maintained an upward earnings trend in those years by selling some of its investments and realising profits. But that would be contrary to its philosophy.

"We have sacrificed the profit and loss account on the altar of a rock solid asset base," said Mr Clarke.

As it happens, 3i's profits last year were sustained largely by asset sales, but this was mainly because the strength of the Unlisted Securities Market, where many of its protegees have been floated, enabled it to realise large gains.

3i's shareholders have only been receiving dividends since 1980, and pay-outs have levelled off in the last two years. Cash is always handy, but since its bank owners "equity account" their stake in the group, the absence of a pay-out is less important: they count a proportion of 3i's profits as if they were their own.

What evidently worries the people at 3i is that the clearers' deliberations about its future could well be influenced by its below average performance measured purely in terms of the growth of its profits, rather than the steady rise in the value of its assets. This is why 3i would prefer to be viewed as an investment trust rather than a commercial company.

On the assets yardstick, not surprisingly, 3i comes out much better. Over the last 10 years on a compound basis, 3i's net assets per share have grown by 17.7 per cent, including reinvested dividends, or 16.3 per cent excluding them.

Ten years ago, the group was worth £118m. As of last March 31, it had a net worth of £558m, which is the sum at stake as far as the owners are concerned. Its success in this period was achieved with only two calls on the shareholders, for a total of £40m.

Were 3i to be stripped of its protective ownership and floated on the stock market, the worry is that its new shareholders would demand rising profits and dividends. This would not only make it hard for 3i to take the long view; it would also force a change in its investment philosophy in favour of companies paying a high dividend, or those whose shares it could dispose of readily to realise gains. These are not characteristics of companies 3i believes it is largely in business to serve.

The solution may be to float 3i off in a form which insulates it from these pressures, possibly by transforming it into an investment trust. This would require the agreement of the Inland Revenue.

Although ths idea is being mulled over at 3i's headquarters in London's Waterloo Road, no firm decisions have yet been made. Were 3i to become an investment trust, it would rank among the largest in the UK, and be a unique animal that would challenge the analytical skills of the City.

The profitability question is particularly sensitive because 3i might not be able to fund itself on quite such fine terms once it loses the backing of the clearers and the Bank. At the moment it enjoys the top credit rating on the U.S. commercial paper market, and is a frequent and successful borrower on the international and UK capital markets. On its own, it might have to pay more for its money.

Fortunately, 3i has not had to tap the markets during the recent period of uncertainty, and Mr Foulds says it has been able to pursue its lending and investment activities smoothly. But an early decision about its fate would obviously be welcome for the management.

The timing and forms of such a decision still looks uncertain. The view in the City is that the Bank of England may be trying to persuade the clearers not to sell, or at least divest their shareholdings in a form that preserves 3i's essential character. In his only public comment on the matter, last February, Mr Leigh-Pemberton said: "What the outcome will be I cannot forecast. What I can say is that if there should be changes, it would be right that 3i should maintain its successful role in the long term finance of the unquoted enterprise sector of industry."

The Bank may also harden its opposition to outright sale now that Midland Bank has successfully raised $750m of new capital in the Euromarkets, and is under less financial pressure.

Any decision must be unanimous, so the Bank could block the sale if it wanted to. But given the strains in its relations with the clearers caused by the Johnson Matthey crisis, it may not wish to press the point too hard. Should the sale be blocked, though, Midland may try to negotiate the sale of its shares to one of the other shareholders.

### THE OWNERSHIP OF 3i

**Investors in Industry is the new name adopted in 1983 by Finance for Industry, the holding company formed in 1973 for Industrial and Commercial Finance Corp (ICFC), Finance Corporation for Industry (FCI), and smaller subsidiaries. Its shareholders are the Bank of England (15 per cent), Bank of Scotland (3 per cent), Barclays (19 per cent), Lloyds (14 per cent), Midland Bank Group (18 per cent), Royal Bank of Scotland Group (7.5 per cent) and National Westminster Bank Group (23.5 per cent). In the year ending March 31 1985, it made a pre-tax profit of £38.5m, up slightly from £38m the year before. Its balance sheet on that date totalled £1.7bn.**

# Men and Matters

## Pick of the stocks

The London Stock Exchange's corporate contribution to the forthcoming Big Bang in the City of London is to be a new, high-profile, publicity campaign.

While it is not yet certain that the exchange will advertise on television I am told from the Throgmorton Street fastness, "There has to be a very good chance of it coming about."

A variety of scripts suggest themselves. How about a dramatisation of the ritual removal of trousers?

When a stranger was spied on the floor of the old exchange building it was customary to cry "1400"—the membership being limited to 1,399—and the interloper was promptly debagged.

I am assured that such things do not happen in the new exchange. But surely a little poetic licence would be in order to produce riveting television?

A television slot would be the keystone to a growing publicity edifice built by the stock exchange during the last few years.

The smartly dressed gallery guides are now escorting more than 200,000 visitors a year—a tenfold increase upon five years ago.

The stock exchange investment evenings held around Britain have been a sell-out. Every meeting arranged so far has been oversubscribed, says Peter Davis, who has just taken over responsibility for the exchange's new publicity department.

The BT issue created an extra 1m British shareholders overnight and the stock exchange is expecting further big increases in shareholders' ranks with the forthcoming issues for British Gas and British Airways.

Davis argues that television advertising would be a logical way to keep up momentum — which the exchange officials measure in terms of numbers of new inquiries for advice on buying and selling securities.

Until recently the level of inquiries was fairly constant at 300 a month. Now it is standing at 2,000 a month.

A television campaign would also be a logical extension of the stock exchange's excursion into steam radio. For the last 11 months it has been financing a programme called Family Money which is now taken by 60 per cent of the independent radio stations in Britain.

Finally, the stock exchange is courting publicity this year with its own road show. A mobile exhibition is touring agricultural shows and boat shows throughout the summer.

## Crooked lines

An informal brainstorming session by British Telecom managers in Liverpool produced some interesting ideas on how to reduce telephone box vandalism.

There was the toadstool-cap roof reaching halfway to the pavement to deflect missiles; and the sprinkler system that would dye vandals green if electronic gadgetry detected misbehaviour.

Then someone recalled that on a recent visit to New York, he had been surprised to see that many public phones in poor areas of the city had not suffered from vandalism at all.

A call to his opposite number in the Big Apple revealed the answer—the market forces of the black economy.

It seems that many New York pay phones are protected by organised drug dealers who rely on them to do their business.

BT's managers went back to the drawing board . . .


"I'll bet Lazard Freres are delighted—and so are their sisters and their cousins and their aunts"

## Counter-attack

The top people's store is the latest place to feel the winds of independent trade unionism blowing down from the Midlands coalfields. Former and disaffected members of the shopworkers' union, Usdaw, are trying to establish a breakaway union there under the rubric of the Harrods Staff Union.

The issue is a topical one, too. The rebels are angered by what they say is Usdaw's refusal to ballot on matters which have arisen within the store. But, Usdaw retorts, no-one asked for such a ballot.

The new "union" has got itself listed by the Certification Officer as a trade union, but it has not applied for a certificate of independence. Tom Osborne, Usdaw's Eastern divisional organiser, says the breakaway is tiny and he is not worried.

Harrods is not — so far — taking the Ian MacGregor line on this. Instead of holding meetings with the rebels in nearby hotels and offering them more money, it issued a stiff statement yesterday saying Usdaw was the only union recognised and the new association would not be given negotiating rights or any facilities. Usdaw reckons it has some 965 of the store's 2,000 employees.

But Harrods did not get where it is today by being dogmatic. If the new body rivals Usdaw's membership, it may think again. Recruitment battles could rage round the caviare counter.

## Myth placed

The FT seems to have touched a sensitive nerve with its story a couple of weeks ago of claims that the ancient city of Troy was sited in Yugoslavia and not in Turkey.

Our man in Belgrade reported that without even waiting to see a translation of the thesis put forward by Mexican philologist, Roberto Salinas Price, Yugoslav tourist agencies had rushed to make the most of the opportunity.

The theory—that Troy was sited at the village of Gabela, near Capljina—was seen as "a godsend to the Yugoslav tourist industry, and anyone casting doubt on the new thesis is regarded as a virtual traiter to the cause of Yugoslavia's invisible earnings," our man wrote.

A Yugoslav magazine has taken umbrage at "the Brits accusing us of reselling and commercialising u n p r o v e d scientific hypotheses and striving for invisible earnings . . ."

The British seem to have forgotten, says the magazine, "that they themselves are the creators of this tourist trick and that for centuries they have been selling fog and ghosts to the tourists."

## Guaranteed

From Andorra comes the story of the two girls working in an invisible-mending shop.

"You don't need to be so fussy, dear" one said to the other, "Nobody is going to see it."

**Observer**

Open letter from the World Bank

# Some polite suggestions for Mr Gorbachev

David Buchan, East Europe Correspondent, offers thoughts on economic reform to the Kremlin

Mikhail Gorbachev ●

● A. W. Clausen

*Dear Mr General Secretary,*

Here are the World Bank's confidential and informal comments about economic reform in the Soviet economy, which you requested be passed on to Moscow through Ambassador Dobryinin. I need hardly stress that these comments have no formal standing as official World Bank opinion, since your great country is, regrettably, not a member of the Bank, nor any claim to expertise, since Bank officials as such have not visited the Soviet Union.

But we are flattered that our recent report on the long-term issues and options facing China, a socialist economy of comparable dimension to the Soviet Union, has attracted your attention, and encouraged that you think that report might have some lessons for the Soviet Union.

I appreciate that you may regard some of our economic prescriptions as incompatible with Soviet ideology; that is not for us at the World Bank to judge. I would only point out that, while we generally favour freer markets, realistic pricing, and currency convertibility, the Bank like its sister, the International Monetary Fund, has a world-wide membership and does not espouse capitalism over communism.

Drawing principally on our report on China, but also drawing on experience gained in working with such Bank members as Hungary, Romania and Yugoslavia, I can summarise our recommendations as follows:

● Planning: We heartily endorse your public call for a change in Soviet central planning, towards ministries, along with the *state planning committee*, focusing more on setting longer term strategic priorities and enterprises, or associations of enterprises, gaining more autonomy in the daily running of their business.

We would, however, urge that as you set about designing what you have called "a flexible and up-to-date economic mechanism," you consider going further and modify the system of setting compulsory annual input allocations and output targets for each and every enterprise. The main focus of central planners' attention would then become the medium term, or five-year plans, which of course could be adjusted and monitored each year.

We realise this would be a major change in an economy that has been centrally planned longer than any other socialist economy. But we feel that moving the whole process of detailed economic administration a few rungs down the ladder, from Gosplan towards those on the factory floor, would be the best way of achieving the greater responsiveness to consumer demand and to technical innovation that you have said you want.

Hungary dismantled mandatory annual targets for enterprises in one step. But more suitable for a vast economy like yours would be, as we have suggested in our report to the Chinese, to "reduce gradually each year the proportion of material requirements covered by the state allocation and, in parallel, the obligatory state production and procurement quota."

● Pricing: However skilled central planners are, and Soviet planners have longer experience than any others, we believe that centrally administered prices lack, as we said to the Chinese, "the flexibility, complexity and precision needed in a modern economy." Market supply and demand forces should play a greater role in shaping prices, which should be decontrolled as widely and rapidly as possible.

There may be powerful short-run objections to such price decontrol. Where shortages exist, freer prices may mean much higher prices. But, as we said, rather bluntly, in our China report, "Soviet and East European experience suggests that chronic shortages are not the temporary result of inadequate production capacity, but an enduring feature of administrative economic management, which can only be eliminated by systemic reforms, including price decontrol.

We note that you have spoken publicly of the need for "radical improvement" in Soviet price formation, but do not apparently intend to let a freer or more automatic price mechanism take some of the burden of allocating resources off the shoulders of your central planers. We would urge you to be more ambitious in this area.

● Competition: As the Chinese leadership has recognised, some competition is crucial to efficient growth. One precondition for this is to let enterprises buy from the best and cheapest source, which could be achieved by the reduction in the input allocation system that we have already recommended. Another key ingredient is to allow free entry of new producers or trade organisations into particular market, which Hungary has permitted to some considerable extent.

As we understand it, you in the Soviet Union, unlike some of your East European allies, still carve up your foreign trade into exclusive monopolies for your various foreign trade organisations (FTOs). Might not some competition between FTOs improve the export marketing of Soviet goods, particularly of those industrial goods whose low share in total Soviet exports you have publicly bemoaned?

● Enterprise motivation: "Establishing independent and appropriately motivated enterprises may be the hardest single aspect of reform in a Socialist system — and perhaps also the most fundamental, since an unmotivated enterprise cannot be expected to motivate its workers, or to respond to price and tax signals or to compete." This generalisation, from our China report, holds good, we believe, for all Socialist countries.

But if you are considering internal management changes in Soviet enterprises to enhance their motivation, we would counsel that (a) you eschew Yugoslav-style worker control—which seems to be inflationary as workers tend to vote themselves excessive pay rises — and (b) you consider the approach not only tried in some capitalist countries, but now in Hungary, with workers represented on the boards of small and medium-sized companies. The largest or most important enterprises could stay under direct control of the state.

> "We believe that you would have several compelling reasons to reverse the long neglect of services in the Soviet economy"

● Services: The share of services to the consumer such as restaurants and tailors and to enterprises such as finance, accounting and the law is strikingly small in Socialist countries. Indeed, services do not even figure in Socialist countries' national income statistics, but a forthcoming study done for the World Bank estimates services only account for an average 20 per cent of the gross national product in the Soviet Union and eastern Europe.

We believe, Mr General Secretary, that you would have several compelling reasons to reverse the long neglect of services in the Soviet economy. First, an expanded network of retail shops, plumbers, electricians and so on would directly benefit households and individuals, and cut out a large portion of the second economy. And he will steal the materials

Second, as we stressed to the Chinese, having more bankers, accountants and lawyers would help enterprises to stand more on their own feet and to specialise. Thus, expanded services and economic reform, in our opinion, go hand in hand. Third, a bigger, better-equipped and more responsive commercial sector could reduce enterprises' need to hold so much material in stock and thus their need for operating capital. Oversize inventories are, we find, a striking characteristic of Socialist economies.

● Foreign capital: We at the World Bank believe that the Chinese have been wise to encourage direct foreign investment, as we told them, "less for the foreign capital or advanced technology it brings than for the demonstration effect of modern mangement techniques." This argument is reinforced in the case of the Soviet Union, which by your own account lacks management much more than technology.

This, then, is the summary of our views which you asked for. I hope they are of interest, even if not of immediate practical use. Were the Soviet Union to be interested under your leadership in joining the IMF and World Bank, we would most warmly entertain such an application. Full agreement with the Bank staff views is not a prerequisite for membership; if that were so, we would have very few members inded.

*Wishing you every success in your task.*

*A. W. Clausen,*
*President of the World Bank.*

Sanctions and South Africa

# History shows success cannot be assured

By Gary Hufbauer and Jeffrey Schott

WHEN Congress reconvenes next month, it will send President Reagan a Bill imposing economic sanctions against South Africa.

The sanctions include a ban on sales of krugerrands, on bank loans and computer exports to government agencies, and on transfers of nuclear technology and equipment. In addition, compliance with the Sullivan Principles would become mandatory for most U.S. subsidiaries in South Africa. Additional measures would be imposed if progress towards ending apartheid is not made within a year.

The Bill reflects a bipartisan Congressional stand against apartheid and a challenge to the Administration's policy of "constructive engagement."

The proposed measures are largely symbolic; they impose no significant costs on the South African economy. The President could sign the Bill, rationalise the sanctions as a friendly slap on the wrist, and continue his approach to South Africa.

Symbolic gestures are important. But under current conditions can they serve as a catalyst for peaceful change in South Africa? A few lessons from historical experience with sanctions are instructive.

Sanctions against South Africa, like those directed against the Soviet invasion of Afghanistan and the Polish crackdown on Solidarity, answer the domestic call for action, put Western societies on the "right side of history," and convey moral approbrium. But seldom are they powerful enough to coerce a strong government into making fundamental reforms in its political system. Indeed, sanctions against South Africa may strengthen the "laager" mentality that drives the apartheid régime — much as it did with the white minority régime in Rhodesia.

Sanctions have been applied against South Africa since 1962. Most have been relatively mild (eg, a porous arms embargo) and feebly enforced. The potentially most damaging measure, the Arab oil embargo, was undercut by Iran until 1979. By that time, South Africa had reduced its reliance on imported oil through stockpiling and the development of nuclear energy and synthetic fuels. South Africa has been given more than 20 years to learn the fine art of evasion; indeed, it taught Rhodesia how to circumvent UN sanctions in the 1960s and 1970s.

Half-hearted rebukes do not carry great weight. The message of U.S. sanctions seldom reaches the foreign target when the Congress and the Administration sound discordant notes. Israel has successfully deflected frequent attempts by the past seven administrations to cut U.S. aid flows in the knowledge that the Congress would not let such measures stick for very long. Turkey also ignored U.S. attempts in the mid-1970s to dislodge its troops from Cyprus in part because of efforts by the Ford and Carter Administrations to undercut congressionally mandated sanctions.

Sanctions have sometimes been effective against allies and close trading partners. Allies are more likely than adversaries to bend to economic pressure in deference to broader political and strategic objectives. The UK and France withdrew from the Sinai in 1956 partly in response to U.S. sanctions; South Korea and Taiwan deferred plans to build nuclear reprocessing plants under the shadow of cuts in U.S. economic and military assistance. These examples and others suggest that sanctions will have a better chance of prevailing if the U.S., the UK and West Germany maintain relations with South Africa.

Until recently, most Western countries—for their own domestic reasons—were less engaged than the U.S. in condemning apartheid. Sweden banned all new investment in South Africa in 1979, but the Swedish experience showed that one country's withdrawal was soon replaced by another's deposit, with no net drain on South African resources. France has now joined the ban, but France, like Sweden, is a marginal player in the South African investment game. Even the U.S. accounts for less than 20 per cent of total foreign investment in South Africa; the UK and Germany, by comparison, have more than a 50 per cent share, and both remain reluctant to impose sanctions.

Unilateral sanctions will not dent the armour of apartheid. The U.S. and key European countries must co-ordinate their policies to create even a semblance of effective pressure again the South African Government. Such pressure might best be directed towards the implementation, over a period of time, of specific reforms that gradually erode the pillars of apartheid. The South African Government could be asked to take several pragmatic steps. For example, the government could first endorse, and later implement, the programme advocated last January by six South African employer groups: universal citizenship; meaningful political participation for all blacks; free and independent trade unions; the right to own shops or conduct business anywhere in the country; and an end to the forced relocation of people.

However, if reforms come to South Africa, they are likely to be inspired by internal developments that are only tangentially related to Western economic pressure. Even if a joint programme of economic pressure is agreed by the U.S. and Europe, and even if the programme seeks practical reforms, the historical record indicates that success is not assured. Less than a quarter of U.S. attempts to deploy sanctions since 1973 have been even partially successful. The record for large international campaigns in pursuit of ambitious goals through the use of economic pressure is particularly dismal.

*Gary Hufbauer and Jeffrey Schott are Fellows of the Institute for International Economics and authors of Economic Sanctions Reconsidered: History and Current Policy, Washington: Institute for International Economics, July 1985.*

# Letters to the Editor

## A tax/wage trade off

*From Mr G. Weir*

Sir,—Mr Prowse's article on unemployment and wages (August 9) was refreshingly balanced. For too long public discussion on the UK unemployment problem has been highly politicised; Mr Prowse's article, on the other hand, starts with the undeniable economic fundamentals (the link between wages and jobs) and then makes the observation that people already in employment may be reluctant to forego wage claims unless they know others are doing likewise. His argument for an incomes policy rests on nothing more than that—underlying economic fundamentals and common sense.

While the history of incomes policies in the UK is not very encouraging, circumstances have, indeed, changed; unemployment is considerably worse than at other post-war periods when incomes policies were attempted; the links between wage restraint and job prospects are now much more widely accepted, both in the UK and elsewhere; and the Government has already explicitly stated its desire for large tax cuts before the next election.

This last observation is a potentially crucial one. Pessimists may believe that those in employment are not only unlikely to agree to wage restraint individually, through fear of losing out in relative pay terms, but also collectively, unless they are offered some quid pro quo. For such pessimists — and I count my self among them—an explicit tax/wage trade-off, with personal income-tax cuts being *contingent* on wage restraint, provides the answer. This approach has been tried recently in Australia. The result: two years of very high real growth, with prospects of more to come, and substantial inroads into the unemployment problem.

Geoff Weir.
*15 rue de la Federation,*
*75015, Paris, France.*

## Less spending power

*From Mr D. Redfearn*

Sir,—I wish that people such as Michael Prowse ("A vein that is waiting to be tapped," August 9) would follow their arguments to a logical conclusion. It never seems to occur to them, for example, that a drop in wages in real terms means less spending power, less effective demand for products, and therefore more unemployment. If their contention is then one of "reculer pour mieux sauter," I can only say it wouldn't happen. The saving in wages would not go in wages for more people, but elsewhere, as will soon become apparent.

In any case, this theory that the less each individual takes in wages, the more people can be employed, seems to stem from the old exploded idea that there is a fixed sum from which all wages are drawn. A little thought should convince anybody that this fund is purely imaginary. As a man works, he adds his quota of value to the other quotas that go to the finished product, and his wage should be equivalent to the value he has added. The more men, the more wages.

If, however, contrary to all common sense, labour can be persuaded that it will benefit from lower wages, attention will be distracted from what really happens. Could an unprejudiced observer fail to notice that, while the real value of wages is on the decline, or is with difficulty maintained by industrial action, the value of land is quietly accelerating upwards, at a rate in excess of the rate of inflation? And well may this happen, with the tight hand of the speculator releasing it in grudging driblets, while 250,000 acres of urban land alone, according to the Civic Trust, are devoted to dereliction.

But very seldom does one see land taken into account when remedies for unemployment are being discussed, although land is essential for all purposes of production and exchange, and idle land means idle people. The true remedy is to tax all actual or potential rent.

David Redfearn.
*15 Fennell's Close,*
*Eastbourne, Hants*

## Artistic freedom

*From Mr P. O'Shea*

Sir,—I am rather puzzled by Professor Myddelton's letter (August 12) berating Dr Hudson for writing of his surprise at Lex's opinion on the National Coal Board's accounts.

Leaving aside the digressions into the justification of the recent industrial conflicts in that industry, one may accept that accountancy is both an art and a science but one can hardly go along with Professor Myddelton's statement that accountancy is an art not a science.

Although there is no doubt that the bottom line will depend on the basis chosen for producing any particular set of accounts and scientific accuracy is unachievable, sanity requires that the objective of accounts is to get as close to the truth as reasonably possible.

An artist has the freedom to exercise his skills and imagination in a way that society has not thought fit to allow in the accountancy profession — for reasons most of us would understand. Obviously the NCB is treating its accounts as an artist would and is not subject to the controls and restraints that apply to company accounts. Perhaps we can all agree that the NCB is different and only subject to criticism in comparison with other national practitioners in this artistic field.

P. J. Pace O'Shea.
*13 Westchester Drive, NW4*

## The Britoil issue

*From Mrs E. Mabey*

Sir,—Re: "Small investors winning day in Britoil issue, Lucy Kelaway, (August 10). Did they? Surely not. It could be said they were even conned over it.

The prospectus stated a minimum of 200 to be applied for but even that did not materialise. If this is the way small new investors are to be treated they will soon lose heart.

We applied for 1,400 shares knowing we might only receive a scaled down allocation the minimum being 200 which we would have unwillingly accepted but now we have heard that our allocation will be 150 shares, which to us seems unrealistic.

We feel we have been misled by the prospectus and as ordinary small investors working for all our savings feel let down and disillusioned. Given the choice under these circumstances we would have chosen to reject this offer without hesitation.

We did not go in with our eyes shut, we even read the small print in your paper's prospectus but nowhere did we find any mention of less than a minimum 200 allocation.

Scaled down larger amounts! Yes, they were there so were multiples of 100 above 200s. Is there a lesson there for future flotations?

We shall find it impossible in future to apply for shares on this allocation fiasco.

(Mrs) E. M. Mabey,
*29, Griffin Road,*
*Clevedon, Avon.*

## Wider share ownership

*From Mr R. Beville*

Sir, — Contrary to the assertion in the somewhat muddied Lex column of August 10, the Britoil allocation does encourage wider share ownership. The small number of shares in each allocation means that more applicants receive stock than would otherwise be the case. Those who applied for more than 1,400 shares may indeed not be very rich, but they are surely very likely to own some other shares. The small profit available to successful applicants is also commendable — it meets political criticisms of "easy pickings," while encouraging *the new owners to hold* their shares — so the spread of ownership is not merely transitory.

What is not so desirable is that dealings will commence before small shareholders receive their allotment letters. They are effectively excluded from selling for several days—second-class treatment. I am sure this will create unnecessary bad feelings.

On the whole, however, the allocation is consistent with the Government's proclaimed policy objectives in this area. Lazard, therefore deserves a bouquet, not a brickbat.

Richard Beville.
*Flat 8, 111, St George's Square, SW1.*

## Revamping the bourses

*From Mr M. Hawtin*

Sir,—I refer to the article by Jonathan Carr (August 8) on revamping the German bourses. While the effects of the structurally weak equity market in Germany are easy to see the causes are not so clear.

It is all very well to rationalise the bourses and to simplify the process of obtaining public quotations—one may as well rearrange deck chairs on the Titanic. One of the main reasons for the weak structure of the equity market stems from the abundant sources of finance available from commercial banks in the past. The dominant lending position occupied by these banks has enabled them to hold significant equity stakes and influential positions on supervisory boards.

It is for this reason that companies have remained private. With the banking sector still a dominant force in Germany, transition to an equity-based system will remain slow.

Mark Hawtin.
Quilter Goodison and Co.
*PO Box 316,*
*31-45 Gresham Street, EC2.*

## Raffles wants a job

*From Mr C. Nicodemou*

Sir,—After four years indulging in plagiarism with the pious hope of presenting my essay-work timeously, I was somewhat disheartened to read (Lex, my educational background, August 12) of the poor choice of

Due to the statements printed in this article, I have subsequently altered my CV's to brandish my capabilities as a successful gambler, and Raffles-type character, in an effort to receive an interview with a financial institution.

Chris Nicodemou,
*20 Overlee Road,*
*Clarkston, Renfrew.*

FINANCIAL TIMES

Wednesday August 14 1985



Leslie Colitt in Warsaw on how apathy poses a threat to Poland's banned union

# Solidarity forced to rethink strategy

POLAND HAS sunk into a state of "normalnosc" a perpetual tug of war between the authorities and the opposition, five years after the strikes which ignited in the Lenin shipyard in Gdansk and gave birth to the free trade union, Solidarity.

Solidarity has now been banned, and replaced by official unions, its organisational structure in ruins. The population failed to heed Solidarity's call for an national strike on July 1 to protest over price rises, although it was such issues which sparked off the 1980 Lenin shipyard strike, generated a wave of stoppages throughout Poland and resulted in the signing of the Gdansk Accords with the country's leaders.

The accords led to the legalisation of Solidarity as the Soviet bloc's only independent labour union until it was suppressed under martial law in December 1981 amid mounting confrontation with the Government.

Both sides in the present political wrangling know genuine victory is illusory, but nevertheless have visions of winning. Too many Poles, however, have dug in their heels, resisting everything the Government asks of them, for the authorities to succeed in dragging the opposition back into line. The Government remains tightly tied to the Soviet Union.

A senior government official recently accused the opposition of remaining oblivious to the country's geopolitical situation. "They fail to understand that Warsaw is situated on the Vistula and not somewhere else," he notes, more in sorrow than in anger.

With Solidarity appearing to be a spent force, the Polish opposition has ceased to pose a vital threat to the Government. Each passing appeal by Solidarity meets with less response, as apathy deepens among former members. The risks involved in actively supporting the union bear no relationship to the results.

Despite the lack of response to its July 1 strike call, the union's underground leadership has still called for a boycott of the October 13 Parliamentary elections.

Mr Jerzy Jaskiernia, secretary general of Pron, the Government body organising the elections, said it might well achieve up 80 per cent participation, compared with 75 per cent in last year's local elections. This, he noted, would be ample proof that "stabilisation" was continuing.

Solidarity claimed that 40 per cent of eligible voters stayed away last year, and called this a success in light of the considerable risks involved. The union's above-ground leaders, however, admit that growing public apathy means it will have to rethink its strategy.

"We have not exhausted the possibilities of clandestine activity, considering that more than 1m Poles still actively support the union," said Mr Janusz Onyszkiewicz, Solidarity's spokesman since 1980. He compared the present stalemate with the years following the suppression of the 1905 Polish uprising, when tensions continued to rise.

Mr Onyszkiewicz and fellow "activists" in the opposition noted that only unceasing pressure on the authorities in the past had led to more internal freedom – for the church, culture and contacts with the West – than 20 years ago, and more than exists in any other East European country.

Solidarity, they claimed, was far from being paralysed, noting that it operates an underground press issuing nearly 1,000 publications with a circulation of some 30,000 for the largest ones. More than 100,000 Poles are said to be involved in the underground press and publishing groups, which signs contracts with the country's leading authors.

The Government, however, is taking steps to make the activities of Solidarity's leadership more difficult. Mr Onyszkiewicz said he expected that the law, just passed, to end university self-government would result in his joining the ranks of the academically unemployed. Previously, he was protected in his position as a Warsaw University lecturer in mathematics by the independently elected rector.

He said tight ministerial control was likely to lead to his dismissal, as well as that of many other academic opponents of the Government. It remains unclear whether the Government will require a loyalty oath from them or use this selectively as a threat.

One university economist, who supports Solidarity's ideals, said he would be presented with a predicament if forced to sign a loyalty pledge. Unlike many other East Europeans in a similar quandary, however, he would not even consider signing it as an expediency. He wanted to stand up and be counted, he said, noting that "our greatest strength remains in our numbers."

Mr Bronislaw Geremek, who has advised Mr Lech Walesa, the former Solidarity leader since 1980, said the Polish Government probably would like to follow a more "liberal policy," administered in Hungarian-style doses, but was frustrated by the strength of its resistance to Government measures.

Mr Geremek said he was worried by the growing radicalisation of alienated young Poles, who might one day resort to violence against the authorities. Most Solidarity officials – and rank and file former members – he said remained as moderate as in August, 1980, when they rejected violence to negotiate in good faith with the Government.

The resulting Gdansk accord is still honoured in part by the authorities, who have never officially repudiated the agreement.

The Government's present attitude to the strikes, which enveloped all of Poland, remains ambiguous.

On the one hand it acknowledges that the protest was justified because of "deformations" which had taken place. Last month, however, Gen Wojciech Jaruzelski, the Prime Minister, again charged that "counter-revolutionary forces" had tried to use the "bad feelings in society" to paralyse the economy and topple the Socialist state.

Even among those Polish economists who have little sympathy for the opposition, there is growing concern about a backsliding to the methods of the central command economy in the 1970s, which helped to produce a virtual economic collapse, the ensuing strikes and formation of Solidarity.

The head of the Polish Communist Party's Academy of Social Sciences recently issued a warning which startled many officials. They have been lulled into believing the opposition consists of only a few hundred Solidarity officials on the run, instead of the silent majority of Poles. A fourth crisis in Poland, he noted, after the upheavals of 1956, 1970, and 1980 would be "impossible for us to survive."

**POLAND's new trade unions which were set up to replace the banned Solidarity union were taken to task by the official press yesterday for not restricting growing pay demands and failing to boost productivity.**

**The criticism came on the eve of the anniversary of the strikes which began on August 14 1980, which Mr Lech Walesa, Solidarity's leader, planned to mark with a wreath-laying ceremony. On previous anniversaries the authorities refused to allow him to place a wreath at the monument in Gdansk built to commemorate the killing of shipyard workers in the strikes of 1970.**

**The Polish Government newspaper, Rzeczpospolita, attacked the official union for an "unjustified" growth in pay claims, which have risen by nearly 20 per cent over last year. The newspaper said the pay increases were endangering the Government's anti-inflation programme at a time when supplies of certain consumer goods were lower than last year. It complained that there had been no corresponding rise in labour productivity.**

**The official reprimand, while reflecting genuine government concern over burgeoning wages, also served to underscore its argument that the new unions genuinely represented workers' interests while Solidarity was allegedly only interested in fomenting industrial unrest and clashes with the authorities.**

**The OPZZ trade unions represent about 5m Polish workers compared with an estimated 9m workers organised in Solidarity. Bloated wage demands by the new unions since their founding with government approval were seen as a lesser evil compared with its confrontations with the independent unions.**

**Much as in Czechoslovakia following the Soviet-led occupation in 1968, the Polish Government in recent years has sought to pacify workers with higher wages. It has also boosted prices to reflect costs more closely, however, leading to spiralling inflation.**

## THE LEX COLUMN

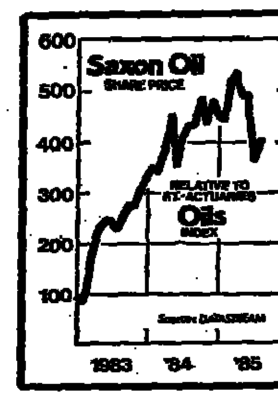
# Soap suds fly at Unilever

A long-standing curiosity of the Unilever consumer products business in the U.S. is that the better it trades the less money it makes. In the second quarter Lever Brothers management felt sufficiently encouraged by the progress of Sunlight detergent and Snuggle fabric softener to fill in the gaps in national coverage. The unhappy consequence was that higher promotional spending cut U.S. profits roughly in half.

To make matters worse, Unilever then elected to charge perhaps £15m against second-quarter profits for the restructuring of its German edible fats and detergents businesses. The upshot was that second-quarter results were left trailing 3 per cent behind those of the previous year, at £266m pre-tax, and as much as £50m below the more optimistic market forecasts. The share price promptly dropped £½ to a new 1985 low of £10.

The market response was, on any long-term reckoning, illogical. While 1985 profits may now turn out to be no more than £900m pre-tax – the final outcome is heavily dependent on currency movements and the level of fourth quarter exceptional charges – Unilever is clearly acting in the best interests of its shareholders. The Dutch market treated the results rather differently: the Unilever NV price scarcely flinched and the large premium over the plc equivalent consequently widened.

Since the NV price is influenced primarily by the positions of investors on Wall Street, it may be that the London market has an even shorter-term investment horizon than its equivalent across the Atlantic. Or perhaps Unilever in Rotterdam simply did better a job of tipping the market off about a disappointing set of figures.




### Enterprise/Saxon

The independent oil sector has discovered the gazump. Soon after Aran beat Saxon beat Clyde for Petrolex, Enterprise has stepped in to scupper an agreed merger between Saxon and Charterhouse with not quite an offer for Saxon, at not less than 525p a share.

In a situation of extreme confusion it is no surprise that Saxon shareholders were still accepting the merger in time for yesterday's closing date while the Saxon share price was saying there was an even chance of an Enterprise bid.

Enterprise is anxious that it does not seem to be using its Government endowment to crash about the sector, and would like the agreement of its victim – let alone of its main shareholder, RTZ, which might not applaud any dilution of its stake if Saxon's shareholders insist on a paper element. None the less, the approach is curiously indecisive. One can only pity poor Charterhouse, constantly outbid for acreage by cash-rich Enterprises and Britoils and now forced to watch its corporate alternative trumped. The privatisation of British Gas is beginning to look even more threatening to small managements.

If yesterday's situation was murky, it is quite clear what Enterprise must do today. If Enterprise really cannot relieve all its tax liability by drilling, and must buy the development of Saxon's Miller acreage, it should say so by making a firm offer that Saxon's non-executive directors can consider.

After all, the bid premium implied even with 525p in cash, or the yield differential on a paper offer, would be attractive to Saxon shareholders who would face a call for cash from the Saxon-Charterhouse merger in a year or two. If Enterprise cannot risk confrontation with its main shareholder, it should withdraw.

### Share repurchases

There was always something rather arbitrary about the proportion of its own shares a company was allowed to buy each year in the open market; whatever the sensible limit may have been, the actual 5 per cent seemed definitely too restrictive. In raising the permitted level of purchases to 14.9 per cent, though, the stock exchange will scarcely have opened the gates to a flood of share-redemptions.

Even that pioneer buyer-in of shares, GEC, would find it difficult to take full advantage of the new freedom; at current prices, that could absorb a little over £75m. And should GEC find it possible to draw down so much cash for this purpose, the likelihood is that it would be a poor deal for shareholders, since a repurchase on that scale would surely create a substantial ACT liability. Yet for a company like J. Rothschild Holdings, whose share price is not merely depressed enough to make the investment worthwile in itself but low enough to avoid the ACT, 15 per cent is a limit that may genuinely restrict.

Given this loosening, somebody will sooner or later put pressure on the exchange to extend the parallel with U.S. practice, and allow UK companies to reissue the shares they have bought in. However logical, that further advance down the slippery slope is not going to appeal to defenders of pre-emption rights.

### Perpetual FRNs

Eurobond investors who lent their money for ever to Standard Chartered Bank on its first perpetual floating rate note last year are now being offered a cash payment to lend their money for ever again. The old bond did not meet the Bank of England's guidelines for primary capital, so now Chartered wants to pay $2.4m to exchange the original bonds for ones which do qualify.

The new issue will not affect Chartered's free capital ratio, since the old bonds were already included in that calculation. But it will boost the bank's primary capital ratio, which is set to become the critical measure of how much it can lend – and how much to individual borrowers.

Since the Eurobond market barely distinguishes in price between floating rate notes with different rankings for repayment, bondholders might think they are being offered a free lunch for accepting the exchange. In fact they are moving one rung down the repayment ladder in the unlikely event that Standard Chartered goes bust. And on the way there, if the bank were to pass a dividend, it would be allowed to defer the coupon payment on the new bond.

If investors are convinced that the bank cannot possibly ever run into difficulty, they should be perfectly happy with the new notes. If, however, they think the odds are any shorter than infinity, they might question whether a one-off payment of 70 basis points is an adequate reward for the extra risk.

# Paris faces new delay on Caledonia poll

BY DAVID MARSH IN PARIS

THE FRENCH Government's battered plans to hold regional elections in New Caledonia have suffered a further blow following the threat of a new delaying move from former President Valery Giscard d'Estaing.

M Giscard said the right-wing opposition would be asking the country's Constitutional Council to rule on the legality of President François Mitterrand's weekend decision to recall parliament for a renewed examination of the Government's contested New Caledonian bill.

The Council – a nine-member body dominated by opposition-nominated figures which judges whether legislation conforms with the 1958 Constitution – last week upset government plans to hold elections in September by ruling a section of the New Caledonian bill unconstitutional.

At stake in the complex political and legalistic manoeuvering over France's troubled south Pacific territory is the Government's wish to set up a new regional congress in the islands well before France's general election next March. The congress is designed to lay the basis for the Paris Government's controversial plans for eventual New Caledonian independence.

In wading into the fray over the legality of M Mitterrand's recall of the National Assembly and the Senate, M Giscard d'Estaing is also trying to mark a limit to the President's powers to order parliamentary re-scrutiny of contested legislation. This could be of crucial significance if M Mitterrand is forced to "cohabit" with a right-wing Government after next March.

The National Assembly, where the Socialists have a majority, adopted in the early hours of yesterday morning a slightly amended text of the New Caledonian bill originally passed last month. The bill now goes before the Opposition-dominated Senate, which postponed its plans to deliberate the bill to await the return from New Caledonia of Senator Dick Ukeiwe, president of the islands' territorial government and a staunch supporter of continued firm links with France. Taking into account the necessary passage between the two houses, overall adoption of the bill cannot now take place until the middle of next week.

Ironically, the aircraft bringing M Ukeiwe to Paris on the first leg of its journey to the capital of Noumea flew in two French detectives sent to New Caledonia to inquire into the "French connection" in last month's bombing in New Zealand of the Greenpeace flagship Rainbow Warrior.

The new version of the bill adopted by the National Assembly yesterday increased slightly to 21 from 18 the proposed number of regional councillors to be elected from the predominantly white area in the south of New Caledonia around Noumea.

This is designed to meet the criticism from the Constitutional Council and the opposition that the division of the islands into four councils would give disproportionately high representation in the new congress to the independence-seeking native population and discriminate against European settlers.

The signs were yesterday, however, that the government amendment would still not satisfy the Senate.

M Charles Pasqua, leader of the neo-Gaullist group in the upper house, yesterday called for at least 24 councillors to be elected from Noumea.

Editorial comment, Page 10

# MacGregor payment attacked by Labour

By Andrew Fisher in London

THE UK GOVERNMENT will pay a further £875,000 ($1.2m) to Lazard Frères, the U.S. merchant bank, for the past services of Mr Ian MacGregor as chairman of British Steel Corporation, a sum that led to angry criticism yesterday from Labour politicians.

This brings the full bill for Mr MacGregor's three years at the head of BSC to £1.55m, including £675,000 initially paid to Lazard, where he was a full partner. The final payment, below the maximum possible, is related to BSC's performance during and after his three-year chairmanship to September 1983.

Mr Bryan Gould, shadow industry minister, denounced the payment, announced yesterday by the Trade and Industry Department, stating: "I do not believe that Mr MacGregor, on his record, shows he is worth this kind of money." The row over top people's salaries would be dwarfed, he added.

The sum being paid to Lazard, where Mr MacGregor, now head of the National Coal Board, is a limited partner, is about 75 per cent of the maximum payable under the controversial performance-related deal between the Government and the bank.

The size of the final payment comprises £525,000 covering the BSC financial year to March 31 1984 and £350,000 for the following year. The maximum figures under the deal were £700,000 and £450,000 for the two years.

The size of the compensation was calculated by a five-man Review Committee led by Mr John Gardiner, chief executive of the Laird engineering group. It compared BSC's recent progress with the position in 1978-79, before the 1980 steel strike.

The payment fell short of the maximum, as the committee considered that BSC was still calling on government funds, even though the cash requirement had come down sharply since the 1970s and productivity had improved sharply.

Mr Gould said of the sum: "This is very much the chickens coming home to roost. It shows the unwisdom of the original deal. The Government is absolutely bound hand and foot by that agreement."

Mr John Prescott, the shadow employment secretary, called the amount "absolutely unbelievable."

The size of the payment, while not abnormal by U.S. compensation standards – Mr Richard Giordano, an American, earns £771,000 a year as chairman of the BOC gases group of the UK – is high for the UK.

But the Government has committed itself to paying for performance, a principle with which Mr Gardiner agrees. The committee studied BSC's finances, output and productivity compared with foreign steelmakers, and cost savings to work out how much it thought justified.

# Pretoria dampens hopes of apartheid reforms

Continued from Page 1

Africa's international image still further because of the expectation raised.

Perversely, diplomats in the U.S. believe, the Reagan Administration could welcome a lack of realistic reform proposals from President Botha. This would allow the Administration to retreat from its constructive engagement policy – a policy which has lost Mr Reagan considerable support among South Africans and which is said to have cost U.S. diplomats many black contacts.

A further five people were reported to have died in political violence during the past 24 hours. The South African Institute of Race Relations said yesterday that the death toll since September 1984 had reached 601, all but a handful black. The violence, said the institute, was "unprecedented in the history of apartheid," exceeding the death toll of 575 in the Soweto riots of 1976.

● Preliminary talks aimed at averting a threatened strike on August 25 by black South African goldminers and coalminers ended inconclusively in Johannesburg yesterday afternoon. The talks between the Chamber of Mines and the 150,000-strong all-black National Union of Mineworkers (NUM) got no further than a restatement of previously held positions. There is no indication that talks will resume before the strike deadline.

The NUM began planning its strike early in July after the chamber had rejected its demands for a 22 per cent across-the-board increase in basic wages for its members plus additional benefits – which, the chamber calculates, raised the demand to an effective 32 per cent increase for goldminers and 41 per cent for colliery workers. On July 1 the chamber unilaterally increased the wages of its 550,000 black employees by between 14.1 per cent and 19.6 per cent.

# Sanko seeks protection but hopes for revival

Continued from Page 1

whether then group should be reconstituted in a new form or moved into liquidation. Either way, creditors are not expecting to recoup the bulk of their loans to the shipping company.

Sanko yesterday blamed its troubles on the world surplus of tankers and the continuing slump in world shipping markets. Shipping industry executives, however, said that Sanko must bear the blame for much of its trouble as it engineered a massive shipbuilding campaign in 1982 at a time when it was already deeply in debt and the market still weak.

Sanko denied yesterday that any of its ships had been seized at ports around the world. It was understood that a number of Japan's leading trading companies were planning to form a consortium to run Sanko's tankers while the court procedures were undertaken. Sanko has 263 ships, with 150 now at sea, the rest laid up or in ports.

The company has more than 70 individual creditors, including four foreign banks, Citibank, Commerzbank, Berliner-Handels Frankfurter Bank and Bayerische Vereinsbank.

Together, these four banks are owed about Y10bn. Among the foreign banks, it is believed that only Citibank's liabilities were unsecured. Citibank officials in Tokyo refused to comment on the matter yesterday.

Japan's Export Import Bank is owed about $90m which it lent Sanko in 1978 under Japan's emergency import programme. Five other Japanese city banks are owed around Y2.8bn, six trust banks a further Y16.9bn, 13 regional banks had loans of Y4.7bn, nine leading life insurance companies are owed Y42.8bn, casualty insurance groups another Y1.8bn, and agricultural co-ops are owed Y6.6bn.

Marubeni, one of Japan's largest trading companies, said yesterday that Sanko owed it Y4.3bn, some of which was secured.

## World Weather

| | | °C | °F |
|---|---|---|---|
| Ajaccio | S | 27 | 81 |
| Akrotiri | S | 33 | 91 |
| Algiers | — | — | — |
| Amsterdam | C | 21 | 70 |
| Athens | S | 31 | 88 |
| Bahrain | S | 36 | 97 |
| Bangkok | — | — | — |
| Barcelona | C | 26 | 79 |
| Beirut | F | 31 | 88 |
| Belgrade | S | 32 | 90 |
| Berlin | C | 23 | 73 |
| Biarritz | S | 23 | 73 |
| Blackpool | F | 16 | 61 |
| Bordeaux | C | 25 | 77 |
| Brussels | S | 23 | 73 |
| Budapest | S | 30 | 86 |
| B. Aires | — | — | — |
| Cairo | S | 35 | 95 |
| Cape Town | S | 18 | 64 |
| Caracas | — | — | — |
| Casablanca | S | 25 | 77 |
| Copenhagen | S | 20 | 68 |
| Corfu | S | 32 | 90 |
| Dublin | F | 16 | 61 |
| Dubrovnik | S | 32 | 90 |
| Faro | S | 26 | 79 |
| Florence | S | 36 | 97 |
| Frankfurt | F | 22 | 72 |
| Funchal | S | 24 | 75 |
| Geneva | S | 26 | 79 |
| Gibraltar | S | 25 | 77 |
| Guernsey | F | 17 | 63 |
| Helsinki | S | 21 | 70 |
| H. Kong | F | 30 | 86 |
| Innsbruck | S | 28 | 82 |
| Inverness | F | 14 | 57 |
| Istanbul | S | 30 | 86 |
| Jersey | S | 18 | 64 |
| Jo'burg | S | 23 | 73 |
| Las Palmas | F | 25 | 77 |
| Lima | — | — | — |
| Lisbon | S | 25 | 77 |
| Locarno | S | 27 | 81 |
| London | F | 19 | 66 |
| Los Angeles | — | — | — |
| Luxembourg | F | 20 | 68 |
| Madrid | S | 30 | 86 |
| Majorca | S | 29 | 84 |
| Malaga | S | 25 | 77 |
| Malta | S | 32 | 90 |
| Manila | — | — | — |
| Miami | — | — | — |
| Milan | S | 29 | 84 |
| Moscow | F | 22 | 72 |
| Munich | S | 28 | 82 |
| Nairobi | C | 18 | 64 |
| Naples | S | 33 | 91 |
| New Delhi | F | 7 | 45 |
| New York | — | — | — |
| Nice | S | 27 | 81 |
| Oporto | S | 22 | 72 |
| Oslo | F | 18 | 64 |
| Paris | F | 22 | 72 |
| Prague | F | 25 | 77 |
| Reykjavik | S | 15 | 59 |
| Rio de Ja'o | — | — | — |
| Rome | S | 29 | 84 |
| Salzburg | S | 30 | 86 |
| Seoul | S | 31 | 88 |
| Singapore | F | 29 | 84 |
| Stockholm | F | 20 | 68 |
| Strasbourg | F | 21 | 70 |
| Sydney | S | 18 | [illegible] |
| Taipei | — | — | — |
| Tangier | S | 30 | 86 |
| Tehran | — | — | — |
| Tel Aviv | S | 30 | 86 |
| Tenerife | — | — | — |
| Tokyo | F | 31 | 88 |
| Toronto | — | — | — |
| Tunis | S | [illegible] | [illegible] |
| Valencia | F | 28 | 82 |
| Venice | S | 30 | 86 |
| Vienna | S | 28 | 82 |
| Warsaw | S | 29 | 84 |
| Zurich | S | 27 | 81 |

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

# High-tech deal delayed

Continued from Page 1

company in the CGE group is to supply its E10 digital telephone exchange to China.

Officials close to CoCom say a number of Western high-technology and telecommunication deals with China are currently "bogged down." This is in spite of efforts to speed up administrative procedures for high-technology sales to Peking, made since the beginning of the year by CoCom countries, which include Japan and all the Nato members apart from Iceland.

Ironically, the bid is aimed above all to ease problems of U.S. companies. These have been hard hit by continuing red tape over electronics and computers sales to China at a time when Washington is trying to normalise trade links with Peking. The Sesa affair "shows that Chinese deals cannot just go through carte blanche," one official said.

CoCom last autumn redrafted its embargo list, which formally applies as much to China as the seven Warsaw pact members, Vietnam, Mongolia, North Korea and Albania. The list now includes the latest in sophisticated electronics equipment and gives greater weight to software, which makes up an important part of the Sesa deal.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday August 14 1985



# End of U.S. withholding draws bond buyers west

BY MAGGIE URRY IN LONDON

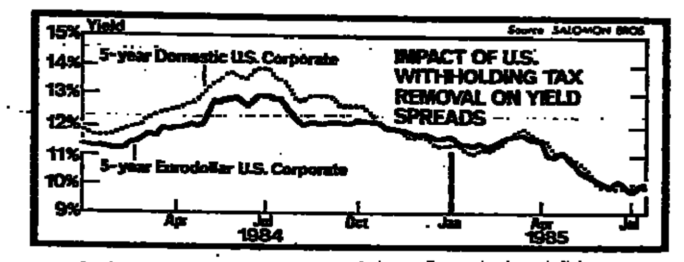
THE LIFTING of U.S. withholding tax in July 1984 has had a significant impact on the Eurodollar bond market according to new research by Salomon Brothers, the major U.S. securities house.

The 30 per cent tax had been levied on income paid to foreign investors in the U.S. domestic bond market. These investors preferred to buy Eurobonds where the income was paid free of tax. As a result borrowers could raise money more cheaply in the Eurobond market than in the domestic market.

Salomon points out that "the removal of withholding tax made the domestic market more attractive to foreign investors." As a result the yield differential between Eurodollar bonds and U.S. domestic bonds issued by U.S. borrowers has narrowed by around 30 basis points.

Borrowers who have ready access to both markets – mainly U.S. corporates – now find borrowing costs in the two markets more competitive. "On the primary market side, issuers now routinely compare the relative costs of the Eurodollar and domestic markets, targeting their offerings accordingly, thereby pushing the two markets into closer alignment," says the research.

Indeed, U.S. borrowers have been less prominent in the Eurobond new-issue market of late. This scarcity is beginning to bring down yields on U.S. corporate paper in the Euromarket as investor demand exceeds supply.




To some extent, the research justifies the fears of many Eurobond market participants that the lifting of withholding tax would divert business from London – the centre of the Eurodollar bond market – back to New York. However, Salomon identifies a number of other factors which determine the yield differential, called the spread, between the Eurodollar and U.S. Treasury bond market – the benchmark primarily used when pricing Eurobond issues.

Top-quality Eurodollar paper is trading at a spread of about 40 basis points above U.S. Treasury yields. This is towards the top end of the range seen in the past two years but is low compared with the levels of 100 to 150 basis points seen in the late 1970s and early 1980s. A return to spreads that high could have a much bigger impact on the Eurobond market than the withholding tax removal.

But Salomon does not expect this to happen. Since the period of high spreads, which coincided with times of dollar weakness, U.S. institutional investors have become more important buyers of Eurodollar bonds.

This increased buying should limit the rise in Eurodollar yields relative to Treasury yields caused by weakness in the dollar exchange rate, says Salomon. While many Euro-investors are deterred from buying dollar-denominated bonds for fear of making currency losses, dollar-based investors have fewer qualms. Salomon notes, though, that the recent weakness of the dollar has lead to some rise in spreads.

Similarly, greater interest in the U.S. domestic market by traditional Eurobond investors since the repeal of withholding tax should also help to arbitrage away yield differentials between the two markets.

# UK bank enlivens Euromarket

BY MAGGIE URRY IN LONDON

THE Eurodollar floating-rate note market was enlivened yesterday by the exchange offer Standard Chartered, the UK bank, is making to holders of its $300m perpetual FRN launched last year. Traders regarded the terms of the deal as generous, and the price of the issue jumped by up to 50 basis points at one stage.

Holders will receive a new perpetual floater paying the same rate of interest but with a slightly less good ranking among creditors, plus a cash payment of 70 basis points. Standard Chartered benefits because the new issue ranks as primary capital.

Hopes that National Westminster and Barclays Bank would follow Standard Chartered's lead pushed up the prices of their perpetual issues by as much as 30 basis points, dealers said, before they slipped back.

The exchange was formulated by Credit Suisse First Boston and will take place in November if note holders agree.

The Eurodollar fixed-rate market was dull yesterday with prices drifting lower by around ¼ point. A flood of U.S. economic statistics this week is likely to keep traders on the sidelines.

Nomura International set the final terms for Nippon Suisan Kaisha's $30m 10-year convertible as indicated with a 3¼ per cent coupon. The conversion price was set at Y408 a share, a 5 per cent premium to the average share price over the last six days.

Another two Euroyen dual-currency issues appeared, raising Y75bn. Yamaichi International launched a Y25bn 10-year issue for Hydro-Quebec, the Canadian electric power utility. This will be redeemed in U.S. dollars at an exchange rate of Y208 to the dollar. The coupon was set at 8 per cent and issue price at 101½. Fees total 2 per cent.

That deal was followed by the biggest yet – a Y50bn issue for Federal National Mortgage Association, the U.S. government agency, which comes in registered form. Like Hydro-Quebec's issue, and the crop of deals launched on Monday, terms were set at an 8 per cent coupon for 10 years and redemption at a Y208 to the dollar exchange rate. Issue price was fixed by Nomura International at 101⅝.

All these dual-currency issues are swap related with syndicate managers expecting borrowers to get very fine terms on the swaps.

In the Euro-New Zealand dollar bond market Amro International launched a NZ$40m deal for De Nationale Investeringsbank, the National Investment Bank of the Netherlands. This has a five-year maturity with a 16 per cent coupon and par issue price. The proceeds are expected to be swapped.

Although the coupon is lower than other recent issues in this currency sector, the borrower is well-known to investors in the Benelux countries.

In the D-Mark Eurobond market dealers are still hoping for a cut in interest rates by the Bundesbank tomorrow, although a degree of nervousness is creeping in. The market suffered a lack of buying interest, and prices were lower by around ½ point.

A firmer tone was detectable in the Swiss franc foreign bond market with some issues moving up by ¼ point or more. Hopes for interest-rate cuts are mounting. The Pan Am 6½ per cent convertible issue, which is being called this month, gained six points yesterday to trade at 134.

International bond service, Page 14

# GBL wins takeover battle for Dupuis

By Ivo Dawnay in Brussels

THE SMURFS, cartoon heroes of Belgium's longest-running business soap opera, have been saved from a fate worse than death – compulsory French nationality.

That, at least, was one Brussels newspaper's interpretation of the outcome of the takeover battle for Dupuis, the publishing house which holds the rights to the blue-skinned petrol promoters and other lovable cartoon characters.

The compromise deal between Groupe Bruxelles Lambert (GBL), Belgium's second-largest holding company, and Editions Mondiales, the French publisher, should now push the cheerful chappies off the front page.

The Smurfs saga began a year ago when GBL and another French publisher, Hachette, launched a friendly BFr 1.35bn ($24m) bid for Dupuis. Believing this had been formally accepted, the consortium was astonished when Dupuis announced it had instead accepted a rival offer from Editions Mondiales.

The drama then moved to the Brussels' commercial court, which ordered a freeze on Dupuis shares while the legalities of the case were contested. The freeze was lifted last month, apparently in Editions Mondiales' favour, but a threat by GBL to spin out the story with an appeal led to yesterday's compromise.

The final agreement, valuing the takeover at BFr 1.71bn, gives GBL 51 per cent of the shares with the remaining 49 per cent split equally between Hachette and Editions Mondiales.

The Belgian group will have controle of Dupuis' printing, audio-visual activities and the lucrative cartoon books, while Editions Mondiales will take over the magazine interests.

# Murdoch to buy Dynasty distributor

By William Hall in New York

MR RUPERT MURDOCH, the Australian-born publishing magnate, has agreed in principle to buy Metromedia Producers Corporation, which counts Dynasty, the U.S. soap opera, among its stable of TV programmes which it distributes to stations around the world.

The acquisition is the latest move by Mr Murdoch in his bid to establish a major U.S. TV network and follows the planned acquisition of six TV stations from the Metromedia group for $2bn. In March Mr Murdoch paid $250m for a half share in the 20th Century Fox Film Corporation, a major TV producer and syndicator based in Hollywood.

Metromedia Producers Corporation (MPC) is also engaged in producing, acquiring, financing and distributing TV programmes throughout the world on a syndicated (ie non-network) basis. Although MPC does produce programmes for TV, its record has been chequered, and it is best known for syndicating programmes such as Dynasty, Charlie's Angels, and Starsky & Hutch to TV stations.

The cost of the latest deal is estimated at between $20m and $40m.

Mr Murdoch is still waiting for Federal Communications Commission approval for his acquisition of Metromedia's TV stations. He is also understood to be close to finalising the renegotiation of the $1.35bn in public debt issued by Metromedia Broadcasting Corporation in December 1984.

The obligation to repay this debt passes to Mr Murdoch on completion of the purchase of the Metromedia TV stations.

CHANGING NATURE OF CONSUMERS POSES THREAT TO RECOVERY

# German retailers feel the cold

BY RUPERT CORNWELL IN BONN

AT SALE TIME in West Germany, the consumer's joy is the retailer's misery.

The bargains were bigger than ever in the summer sales which have just finished in most German cities. The country's major retail organisations reported price reductions of up to 50 per cent.

The generosity of the special offers is a measure of the urgency the stores face in clearing stocks of unsold goods which piled up through yet another dismal year.

Private consumption – and, by extension, retailing – has so far been the orphan of Germany's export-led economic recovery. If GNP expands between 2.5 to 3 per cent last year, this year and next, growth of the retail sector will probably be half that. Overall private consumption, of which retailing accounts for roughly half, has been flat since 1980.

In its latest report, the Organisation for Economic Co-operation and Development (OECD) reckons West Germany's trade surplus – forecast at a record DM 70bn – will account for half 1985's entire economic growth. IFO, the Munich-based economic research institute, reported last month that a spring pick-up in the retailing industry fizzled out in June. Total investment by retailers this year is likely to drop by 1.6 per cent in real terms to DM 7.4bn.

But nowhere is the trend more visible than in the results of the "big four" German store groups. Karstadt, the largest, saw net 1984 earnings tumble to DM 23.9m from DM 90.4m in 1983. Kaufhof, its closest rival, fared better, limiting the decline to DM 60m from DM 68.9m. Horten, the smallest of the four, last month reported a drop in 1984 profits to DM 20m from DM 36m in 1983.

But all this pales beside the DM 146m losses run up by Hertie, the third biggest stores group, after a mere DM 16m deficit in 1983.

Admittedly 1984 was a peculiarly unfavourable time: a non-existent summer and the exceptionally hard-fought dispute in the engineering industry, which led to a seven-week strike in May and June that year, cut into the spirit and the buying power of consumers. More ominously, however, 1985 is proving no better.

Consumers looking for more personalised shops

Turnover at Karstadt slipped a further 4 per cent in the first half – a figure rendered still more unflattering by the fact that its long-suffering mail-order subsidiary, Neckermann, which lost DM 460m between 1977 and 1984, actually improved its turnover by 7 per cent.

Between January and April, Kaufhof sold 1.7 per cent less in money terms than in the same months of 1984 and turnover is now running below the level of 1980. Even Horten, which is hoping to lift earnings in 1985, has announced a 1.9 per cent sales drop in the 12 months to February 1985.

But what makes such results so depressing for shareholders, who have seen their dividends at best maintained (at Karstadt) or reduced (at Kaufhof and Horten), is that to a large extent today's problems are beyond the control of mere managers.

If West Germany's present economic health has been built upon the ancient discipline of thrift, that thrift has meant holding personal incomes down. As the OECD remarked, even the DM 20bn tax cuts promised for next year and 1988 will do no more than make good the recent erosion of incomes.

Moreover, persistent unemployment of more than 2m does not merely remove a number of people from the marketplace; it also makes those still in work save more – and spend less – to protect their own futures.

More fundamentally, the nature of the German consumer is also changing. "We've reached a level of prosperity where, in many fields, people simply don't need to have more," says an analyst at the main retailers' federation in Cologne. "They are also looking for smaller, more personalised shops, which meet their own individual requirements."

At home, the environmentalist movement is in part an expression of a mood that there is something inherently wrong about excessive consumption, after the spending boom which accompanied the surge in the national economy in the 1960s and 1970s.

Since then, Germany has become an increasingly leisure-oriented society. The fastest growth in consumer expenditure is expected in the years ahead in foreign holidays, hobbies and other spare-time pursuits. Further ahead still, beyond 1990, the effects of a falling population will really start to bite on the retail business, as the proportion of pensioners, with lower spending power, grows.

Not surprisingly, hypermarkets have already captured 13 per cent of the total German retail market.

Herr Friedrich Roesch, outgoing chairman of Kaufhof, said recently: "Success in this business will go to the people who specialise, build on their strengths and cut out their weak points." The recipe may be banal, but it is having a sweeping impact on the structure of the industry.

Stores are being restructured, and some are being closed. Product ranges have been revamped, and stores are incorporating speciality upmarket boutiques with separate brand names. The department-store groups are concentrating on building a fresher, more striking image and extending their operations to remmerative areas like travel.

The motto of the German department store used to be "everything under one roof." Now, in the words of Herr Roesch, the watchword is: "Not a little of everything, but as much as possible of comparatively little." But even if this is put into practice, the big groups face a future of running harder and harder just to stand still.



# S.African platinum mine opens

BY WILLIAM HALL IN NEW YORK

AFTER years of consideration, South Africa's Rustenburg Platinum Holdings has decided to mine the UG2 reef which lies under the main platinum-bearing Merensky reef, notably at the company's Union section. Production of UG2 ore has already begun on a "significant" scale.

Disclosing the news in the Rustenberg annual report, Mr Gordon Waddell, chairman, points out that UG2 represents "a very important possible extension" of the lives of the company's present mines.

It was not worked before because of the greater ease of exploiting the less-deep Merensky, which contains a higher proportion of platinum to rhodium and has simpler metallurgical characteristics.

However, in the event of the hoped-for expansion in demand for platinum-group metals it will be more advantageous for Rustenburg rapidly to increase production by extending its workings at depth to reach the UG2 than to set up a new mine and surface installations to tackle the Merensky elsewhere in the mining area.

Meanwhile, Mr Waddell thinks demand for platinum "is now probably in excess of the present supplies coming forward from the producers." He feels demand for significant quantities of the metal for use in car emission control catalysts to meet Western European needs will begin to rise before 1988.

Imports of platinum to Japan, notably for the important jewellery market, have risen afresh this year, and U.S. imports of platinum ingots are running above the 1984 levels. Sooner or later, says Mr Waddell, the dollar price of platinum should rise. It was $294 an ounce yesterday compared with an average $300 in Rustenburg's financial year to June 30.

Although U.S. prices for platinum were lower in 1984–85, the weakness of the South African rand boosted the sales revenue received by Rustenburg, and this, together with increased sales, resulted in earnings climbing 58.7 per cent to R156.9m ($75.8m).

# TWA defers decision on rival bids

BY TERRY DODSWORTH IN NEW YORK

THE board of TWA, the embattled transatlantic U.S. airline, deferred a decision on the two rival bids for the company yesterday as it sought to resolve the power struggle between Texas Air and Mr Carl Icahn, the Wall Street investor.

In a statement which suggested the St Louis-based company preferred the offer from Texas Air – revised to $26 a share last week – the TWA board said it was "pleased" the price had been increased.

But it said it was "mindful" of Mr Icahn's large stock position and the difficulty this posed to a merger. Mr Icahn, backed by two major unions in the airline, has assembled a 46 per cent stake in TWA, for which he has bid $24 a share.

The company is also examining other proposals from Texas Air but declined to elaborate on them yesterday.

There have been suggestions Mr Icahn is preparing to sell his holding to Texas Air to realise a profit on his investment, made at prices substantially lower than the $26 a share bid from the airline.

However, the financier is under an obligation to share some of these profits with the pilots' and mechanics' unions if he chooses to dispose of his stock.

# MCI to sell cellular side for $120m

By Our Financial Staff

MCI Communications, the cut-price long-distance U.S. telephone carrier, has acted to end the confusion over its paging and cellular telephone businesses by reaching an agreement in principle to sell them for about $120m.

The purchaser is McCaw Cellular, a privately owned company based in Everett, Washington state.

Last month MCI agreed to sell the businesses to Mobile Communications Corporation of America (MCCA) for $121.5m, but it later repudiated the deal because it discovered MCCA planned to use the assets in a joint venture with Bellsouth, the Bell telephone holding company. Both MCCA and Bellsouth have said they would take legal action against MCI.

# GM plans $575m plant expansion

BY OUR FINANCIAL STAFF

GENERAL MOTORS, the world's biggest car group, is to spend about $575m to modernise its metal-stamping plant at Marion, Indiana.

GM said yesterday that its Chevrolet-Pontiac-Canada group would spend about $440m on modernising and expanding the plant by more than 325,000 sq ft, with the rest going on tooling and related items.

The 30-year-old Marion plant produces sheet metal components for GM's car divisions. It employs 3,700, and GM said the modernisation was not expected to have a significant impact on employment.

Preliminary construction has begun, and the project is scheduled for completion in 1991. GM said the state of Indiana had pledged job-training funds in connection with the modernisation.

In July GM said it planned to invest up to $600m to modernise its Mansfield-Ontario metal fabrication plant in Ohio. The plant will produce sheet metal parts

# INTL. COMPANIES & FINANCE

## Canadian oil group in C$586m acquisition

By Robert Gibbens in Montreal

PETRO-CANADA, the national oil company, has finally signed to buy most of the downstream assets of Gulf Canada in Ontario and Western Canada for C$586m (U.S.$430m).

Also, in a smaller deal, Ultramar Canada, Canadian arm of Ultramar of Britain, will buy the downstream assets of Gulf Canada in Quebec and the Maritime Provinces.

Ultramar already has a 160,000-barrels a day refinery in Quebec City and about 800 service stations in Ontario, Quebec and the Maritimes.

These two deals will help finance the takeover almost two weeks ago of Gulf Canada control by Olympia & York Developments, the Reichmann family holding company, for C$2.8bn. The Reichmann family will now effectively own an oil and gas exploration and production company. The Olympia bought 60.2 per cent of Gulf Canada from Chevron Corporation of the U.S.

Analysts estimate Petro-Canada will now have an average of nearly 20 per cent of the Canadian petroleum products market. It will finance its acquisition of Gulf Canada assets from its own resources and credit lines.

## Loews plans to increase its stake in CBS

By Our New York Staff

LOEWS, the New York-based conglomerate headed by Mr Laurence Tisch and his brother Mr Preston Tisch, plans to take a stake of up to 15 per cent in CBS, which controls the biggest U.S. TV network.

The news – reported in later editions yesterday – is contained in a filing with the Federal Trade Commission (FTC). It comes only days after Mr Ted Turner, the flamboyant TV entrepreneur, dropped his ambitious plan to take over the company and has refuelled speculation that CBS may still fall prey to a corporate predator.

CBS shares jumped $3⅛ to $109 yesterday, and Loews shares rose $⅝ to $50⅛. At present prices Loews, which is 36 per cent owned by the Tisch brothers, has a stock market capitalisation of $4.1bn, while CBS is capitalised at $2.5bn.

Loews had a 9.9 per cent stake in CBS, but some of these shares were tendered under CBS's recent move to buy back slightly more than a fifth of its equity. Shareholders received $40 in cash and $110 in paper for each CBS share.

Loews said it wanted to increase its stake for "investment purposes." CBS, which will announce the outcome of its defensive share buyback today, said it "accepts on good faith Loews' statement that the stock purchases are for investment and beyond that has no further comment."

## Clarification

We have been asked to point out that, while the Banque Européenne de Crédit in Brussels has been making provisions against loans to sovereign borrowers, its overall profits increased to BFr 849m last year from BFr 616m in 1983. A contrary impression was given in an article on Ebic on August 2.

## FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for August 13.

| U.S. DOLLAR STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Amex Credit 10¼ 90 | 100 | 101 | 101½ | −0⅛ | +0⅜ | 10.58 |
| Amex Credit 12⅞ 88 | 150 | 105½ | 106 | 0 | +0¼ | 10.37 |
| Atlant Richfld 10¼ 00 | 250 | 93⅝ | 94⅛ | +0⅜ | +1½ | 11.10 |
| BP Capital 11¼ 92 | 150 | 101⅜ | 101⅞ | 0 | +0½ | 10.73 |
| Canada 11½ 90 | 500 | 104¼ | 104¾ | −0¼ | +0½ | 10.19 |
| Canadian Pac 10¾ 93 | 100 | 99⅞ | 100⅜ | 0 | +0⅝ | 10.71 |
| Canadian Pac 12½ 99 | 75 | 105⅜ | 105⅞ | −0⅛ | +0⅛ | 11.52 |
| CBS Inc 11⅛ 92 | 100 | 102⅜ | 102⅞ | +2¼ | +1⅜ | 10.61 |
| Chevron U.S.A. 12¼ 89 | 800 | 104⅜ | 104⅞ | +0¼ | +0⅜ | 10.79 |
| Citicorp 11½ 95 | 150 | 100⅞ | 101⅜ | 0 | +0½ | 11.29 |
| Coca Cola 11¾ 91 | 100 | 107 | 107½ | −0⅛ | +0⅜ | 10.10 |
| Denmark Kingdom 11¼ 89 | 100 | 102⅛ | 102⅝ | 0 | +0½ | 10.61 |
| Denmark Kingdom 11½ 90 | 100 | 102½ | 103 | −0⅜ | +0½ | 10.70 |
| Denmark Kingdom 11½ 92 | 100 | 102¼ | 102¾ | +0¾ | −0⅛ | 10.92 |
| Denmark Kingdom 13¼ 91 | 100 | 109¾ | 110¼ | +0¼ | +1⅛ | 10.91 |
| E.D.F. 10 95 | 225 | 94⅜ | 94⅞ | −0⅛ | +0½ | 10.91 |
| E.E.C. 11⅛ 90 | 100 | 102⅛ | 102⅝ | −0¼ | +0⅛ | 10.39 |
| E.I.B. 12 95 | 200 | 105½ | 106 | −0¼ | +0½ | 10.98 |
| E.I.B. 13 96 | 200 | 109¾ | 110¼ | +0⅛ | +0¼ | 11.36 |
| Export Dev Corp 10 90 | 100 | 99⅛ | 99⅝ | +0¼ | +0⅞ | 10.15 |
| Export Dev Corp 12 89 | 100 | 105¼ | 105¾ | 0 | +0½ | 10.39 |
| Fed Dep Stores 10⅜ 95 | 100 | 95¼ | 95¾ | +0⅛ | +1⅛ | 10.88 |
| Ford Motor Cred 10⅝ 90 | 100 | 101⅞ | 102⅜ | +0⅛ | +0¾ | 10.71 |
| Ford Motor Cred 11⅛ 95 | 100 | 101 | 101½ | 0 | +0½ | 11.38 |
| Ford Motor Cred 11¾ 92 | 100 | 101⅞ | 102⅜ | +0¼ | +1 | 11.25 |
| Ford Motor Cred 12 95 | 100 | 102⅜ | 102⅞ | +0⅛ | +0⅞ | 11.33 |
| Gen Elec Credit 10¼ 00 | 200 | 100 | 100½ | 0 | 0 | 10.20 |
| GMAC 10¼ 89 | 200 | 100 | 100½ | 0 | +0⅛ | 10.14 |
| IBM Credit 10⅜ 2000 | 300 | 101⅛ | 101⅝ | 0 | −0⅜ | 10.17 |
| Japan Air Lines 13⅜ 94 | 100 | 116 | 117¼ | 0 | +0¾ | 10.43 |
| Kellogg Company 10⅞ 90 | 100 | 101½ | 102 | 0 | +0¾ | 10.32 |
| Kellogg Company 11⅛ 92 | 100 | 102¾ | 103¼ | +0¼ | +1⅜ | 10.55 |
| L.T.C.B. 12⅞ 91 | 100 | 108⅜ | 108⅞ | −0¼ | +0⅜ | 10.87 |
| Macy Cred Corp 11¾ 95 | 100 | 103⅛ | 103⅝ | +0⅛ | −0⅞ | 11.12 |
| Mellon Bank 13 87 | 100 | 105⅜ | 105⅞ | +0⅛ | +0⅝ | 9.82 |
| Merrill Lynch 12¼ 89 | 100 | 105¼ | 105¾ | 0 | +0⅝ | 11.00 |
| Minnesota 11½ 87 | 100 | 103⅛ | 103⅝ | +0⅛ | +0¼ | 9.95 |
| Mitsui Trust 11⅛ 90 | 100 | 102 | 102½ | 0 | +1 | 10.50 |
| Morgan Guaranty 12⅛ 89 | 150 | 105½ | 106 | 0 | +0½ | 10.57 |
| Penney J.C. 12¾ 91 | 100 | 105⅞ | 106⅜ | +0⅜ | 0 | 11.29 |
| Pru Realty secs 12⅛ 95 | 540 | 105 | 105½ | 0 | +0¾ | 11.17 |
| Qantas Airways 10⅜ 95 | 140 | 97½ | 98 | +0⅛ | +0¾ | 10.76 |
| Quebec Hydro 11½ 92 | 100 | 102¾ | 103¼ | +0¼ | +0⅜ | 10.86 |
| Queensland Govt 10¾ 95 | 100 | 98 | 98½ | −0⅛ | +0⅝ | 10.98 |
| Ralston Purina 11¾ 95 | 150 | 103¼ | 103¾ | +0⅜ | +1⅞ | 11.12 |
| Ralston Purina 12¾ 89 | 100 | 106⅝ | 107⅛ | +0⅜ | +0¾ | 10.60 |
| Saskatchewan 10⅝ 92 | 100 | 100⅛ | 100⅝ | 0 | +0⅝ | 10.84 |
| Saskatchewan 11⅞ 89 | 100 | 104½ | 105 | −0⅛ | +0⅜ | 10.48 |
| S Wales Tnsy 11⅛ 90 | 150 | 104¼ | 104¾ | −0⅛ | +0⅜ | 10.46 |
| Swed Exp Cred 10 92 | 100 | 96¾ | 97¼ | −0¼ | +0⅜ | 10.82 |
| Swed Exp Cred 12¾ 89XW | 100 | 106⅝ | 107⅛ | −0⅛ | +0⅜ | 10.57 |
| Sweden Kingdom 10⅞ 90 | 200 | 101⅛ | 101⅝ | −0⅛ | +0⅜ | 10.47 |
| Sweden Kingdom 11½ 89 | 200 | 103½ | 104 | +0¼ | +0¼ | 10.34 |
| Sweden Kingdom 11¾ 94 | 100 | 103⅞ | 104⅜ | 0 | +0½ | 11.09 |
| Tenneco Corp 10⅝ 95 | 150 | 98¼ | 98¾ | +0⅛ | +0⅝ | 10.82 |
| Texaco Capital 11⅛ 95 | 250 | 99⅞ | 100⅜ | +0⅛ | +0½ | 11.08 |
| Texaco Capital 12⅞ 87 | 300 | 105¼ | 105¾ | +0⅛ | +0½ | 9.77 |
| Tokai Asia 11½ 95 | 100 | 101⅜ | 101⅞ | −0¼ | +0¼ | 11.20 |
| Victorian Rep 11⅛ 92 | 150 | 103¼ | 103¾ | 0 | +0⅞ | 10.84 |
| World Bank 12¼ 94 | 150 | 106¾ | 107¼ | −0¼ | +0⅜ | 10.98 |
| World Bank 12⅞ 94 | 200 | 110⅛ | 110⅝ | −0⅜ | +0⅜ | 11.00 |

Average price change On day 0 on week +0½

| DEUTSCHE MARK STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Asian Dev Bank 8 94 | 200 | 105 | 105¾ | −0⅛ | +0⅜ | 7.02 |
| Austria Republic 7⅞ 94 | 200 | 104⅝ | 105⅜ | 0 | +0½ | 6.83 |
| Baxter Travenol 7¼ 94 | 200 | 102⅝ | 103⅜ | 0 | −0¼ | 6.77 |
| Copenhagen 7⅝ 95 | 150 | 101⅜ | 102⅛ | 0 | +0¼ | 7.11 |
| Credit National 8½ 94 | 200 | 106½ | 107¼ | +0⅛ | +0⅞ | 7.41 |
| E.I.B. 7⅞ 94 | 300 | 101⅞ | 102⅝ | −0⅜ | +0⅜ | 6.93 |
| Escom 8 92 | 150 | 95⅛ | 95⅞ | 0 | 0 | 8.91 |
| [illegible] | | | | | | |

[illegible]

| YEN STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Finland Republic 8¾ 90 | 15 | 100¼ | 100¾ | +0⅛ | +0⅜ | 6.81 |
| Gdyr Tr & Rubber 7⅛ 95 | 25 | 98⅞ | 99⅜ | +0⅛ | +0¼ | 7.25 |
| Mort Bk Denmark 7 92 | 10 | 100¼ | 100¾ | 0 | +0⅛ | 6.90 |
| New Brunswick 7⅛ 95 | 10 | 101⅜ | 101⅞ | 0 | +0⅛ | 6.89 |
| World Bank 6⅞ 90 | 25 | 100⅜ | 100⅞ | 0 | +0⅛ | 6.46 |

Average price change On day 0 on week +0¼

OTHER STRAIGHTS — [illegible]

FLOATING RATE NOTES — [illegible]

CONVERTIBLE BONDS — [illegible]

* No information available—previous day's price. † Only one market maker supplied a price.

Straight Bonds: The yield is the redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate for U.S. dollars. C.cpn = The current coupon. C.yld = The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.



## U.S. QUARTERLY RESULTS

**QUAKER OATS**
Foods, toys

| Fourth quarter | 1984-85 $ | 1983-84 $ |
|---|---|---|
| Revenue | 934.4m | 924.2m |
| Net profits | 53.2m | 40m |
| Net per share | 1.54 | 1.19 |
| Year | | |
| Revenue | 3.52bn | 3.34bn |
| Net profits | 155.6m | 138.7m |
| Net per share | 3.75 | 3.25 |

**TELERATE**
Business information

| Third quarter | 1984-85 $ | 1983-84 $ |
|---|---|---|
| Revenue | 40.7m | 29.3m |
| Net profits | 8.2m | 7.5m |
| Net per share | 0.19 | 0.17 |
| Nine months | | |
| Revenue | 111.8m | 82.4m |
| Net profits | 25.1m | 20.0m |
| Net per share | 0.57 | 0.47 |

**WAL-MART STORES**
Retailing

| Second quarter | 1985 $ | 1984 $ |
|---|---|---|
| Revenue | 1.99bn | 1.51bn |
| Net profits | 71.8m | 58.9m |
| Net per share | 0.51 | 0.42 |
| Six months | | |
| Revenue | 3.6bn | 2.74bn |
| Net profits | 123.5m | 102.6m |
| Net per share | 0.87 | 0.73 |

# Kosmos in deal to thwart unwelcome bid from Laly

BY FAY GJESTER IN OSLO

KOSMOS, the Norwegian shipping and industrial group, which is currently the target of a NKr 1.1bn (U.S.$96.4m) takeover bid by Laly, a Norwegian investment firm, has concluded a deal which could help thwart the acquisition.

Kosmos has bought from Norcem, another Norwegian industrial concern, the latter's 7.5 per cent stake in Norwegian Caribbean Lines (NCL), paying with 742,000 Kosmos shares, 596,000 of which are new.

The deal was concluded on August 9, under authority granted by a shareholders' meeting last year. Its effect, by increasing the total number of Kosmos shares from 9.46m to 10.06m is to raise the price tag on the company.

The additional capital means that Laly would have to put up NKr 1.17bn for a controlling 50.1 per cent shareholding.

At the same time, the Kosmos board has called a shareholders' meeting for next Tuesday at which it will seek authority for a one-for-five scrip issue, and a further issue of 2m shares to be carried out when required, to help finance acquisitions.

Kosmos says its management is currently working on several "strategically important" projects, which could be financed by such an issue.

The purchase of the NCL shares boosts Kosmos' stake in the cruise shipping company—controlled by the Norwegian Kloster group—to 15 per cent. According to Mr Herbjorn Hansson, financial director, it is in line with Kosmos strategy of expanding its interests in the hotel and travel sector.

Laly is controlled by Wilhelm and Arne Blystad, Norwegian brothers who have recently had a major impact in local financial circles through a series of aggressive takeover bids.

Their investment vehicle, Laly, was recently reorganised and is currently heavily liquid following a major issue of shares in June.

Both in their early thirties, the Blystad brothers have successfully pursued a takeover strategy of cornering shares in companies.

# Drink groups to spend S$160m

BY CHRIS SHERWELL IN SINGAPORE

TWO OF Singapore's best-known corporate names, Fraser and Neave (F & N), the soft drinks manufacturer and Malayan Breweries, its associate, are to invest S$160m (U.S.$73m) in facilities to modernise production and improve efficiency.

Mr Michael Fam, F & N's chairman, said yesterday that the expansion plans had been "brought forward to support the government's efforts to revive the economy," but had been decided upon for "hard business reasons."

The two companies are part of the constellation associated with the Oversea-Chinese Banking Corporation (OCBC), one of Singapore's "big four" local banks. F & N bottles Coco-Cola products and its own lines, while Malayan Breweries has Heineken, the world's largest beer exporter, as its foreign partner.

The new facilities will be located on the coast at the edge of the Jurong industrial area, and will allow expanded production of beer, a wider variety of packaging, increased automation and closer integration. Funds for the project will be generated internally, and the first stage will be completed within four years.

The companies say that a key aim will be to increase exports. F & N currently exports 15 per cent of its output and wants to double the proportion. Malayan Breweries exports 30 per cent of its production already.

The need to modernise has become increasingly apparent in recent years. F & N's existing facilities, in a developed part of urban Singapore, are now 33 years old. Malayan Breweries has two separate production sites nearby, and these started operation in 1932.

About S$120m of the total investment will go on the new brewery, with 60 per cent of this to be spent on plant and equipment. Current capacity of 750,000 hectolitres will rise to 1m, and later 1.5m. The remaining S$40m will go on F & N's plant next door.

The companies describe their investments in lavish terms as "decisions that show confidence" and moves "well into the next century." The intention is clearly to help boost Singapore at a time when the island state is suffering its worst economic reverse since the 1960s.

Last month F & N reported pre-tax profits of S$55m for the year to March, a marginal improvement on the previous year, on a turnover of S$242m. Mr Fam was especially outspoken about the problem of "parallel imports" of franchised products which exploited the market cultivated by F & N.

Malayan Breweries' results showed a bigger improvement. Pre-tax profits of almost S$60m for the year to September were well up on the previous year's S$48m on a turnover of S$500m. This year is expected to return maintained profits.

# Hong Kong revokes Asiavest's licence

By Our Financial Staff

THE HONG KONG Commission for Deposit-Taking Companies has revoked the licence of Asiavest, a finance company. In a brief statement, the Commission said the move was made at Asiavest's request.

The Commission suspended Asiavest's licence in May, saying that the company's business was being carried on in a "manner detrimental to depositors' interests."

Asiavest, which is controlled by Asiavest Merchant Bankers, of Kuala Lumpur, had a share capital of HK$55m (U.S.$7m) at the end of 1984. Its turnover for 1984 was HK$25.73m, and it reported a loss of HK$32.79m. Accumulated losses at the end of last year were HK$39.69m. The company had outstanding loans and advances totalling HK$70.27m.

Until 1982, Asiavest was controlled by Bank Negara Malaysia, the central bank of Malaysia. Asiavest Merchant Bankers acquired the central bank's stake in that year.

# Downturn for Dunlop South Africa

By Jim Jones in Johannesburg

DUNLOP SOUTH AFRICA suffered a fall in both turnover and profit in the first half of 1985 and is not optimistic on immediate prospects even though sales were higher than those for the second half of last year.

Turnover fell to R111.7m ($54m) in the six months from R116.2m in the same half of 1984. First half pre-tax profits were R15.2m against R18.7m. For all of 1984 turnover totalled R216.9m and pre-tax profits were R29.2m.

Mr Peter Fatharly, the chairman of the 52 per cent UK owned company, says the first half was a period of recovery from the severe business conditions of last year's second half but the short-term outlook is clouded by the problems of inflation and currency fluctuations.

First-half earnings fell to 51 cents a share from 58 cents and an unchanged interim dividend of 29 cents has been declared. For all of last year earnings were 96 cents a share and a dividend total of 75 cents was paid.

Mr Fatharly expects this year's final dividend to match last year's and says that the terms of the merger with BTR South Africa will be announced at the end of this month.

# Fermenta buys into Kabigen

By David Brown in Stockholm

FERMENTA, the Swedish antibiotics and biotechnology group, has bought a 10 per cent stake in Kabigen, the gene technology company, from KemaNobel (Sweden's leading chemicals group) for an unspecified sum.

The move "will combine Kabigen's competence in gene technology research and development with Fermenta's know-how and biotechnology production facilities, which implies a significant strengthening of both companies' competitive power in the biotechnology field," said Fermenta.

# Thai Oil Refinery interim profits more than doubled

BY BOONSONG K'THANA IN BANGKOK

THAI OIL REFINERY (TORC), Thailand's largest private enterprise in terms of turnover, has reported net profits for the half year to March more than doubled to 125m baht ($4.53m) from 47m baht in the same period of last year.

Mr Kasame Chatikavanij, TORC's chairman and managing director, said the result for the period is better than anticipated. He attributed the gain to the capacity maximisation of the company's 65,000-barrels-per-day oil refinery on the country's eastern coast as well as to the greater procurement of cheaper crude oil input in the spot market.

Crude throughput in the period was 65,000 b/d, down from 65,800 b/d in the previous period. The gross refining margin was $2.69 per barrel, down from $2.74 a barrel in the previous period. Total assets rose to 5.99bn baht from 5.58bn baht.

# Unilever down in second quarter

A SECOND-quarter profit decline at Unilever, the Anglo-Dutch foods and consumer products group, left it with just a 4 per cent increase in taxable profits in the first half of 1985.

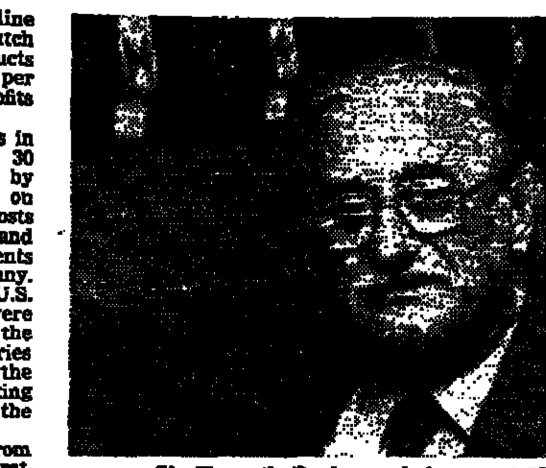
Down £6m at £266m, profits in the three months to June 30 were adversely affected by depressed markets, pressure on margins and restructuring costs in the edible fats operations; and by higher costs in the detergents business, especially in Germany.

In addition, the group's U.S. activities suffered from severe competition, particularly in the consumer products and toiletries operations. There was also the increased cost of implementing the investment programme in the U.S.

Half-year sales were up from £7.92m to £9.28m for an operating profit of £503m against £478m. After higher net charges for interest and other financial charges, the interim figure was just £18m ahead at £484m, and was subject to tax at £214m against £217m.

After minorities at £24m (£17m), attributable profits for the half year came out at £225m, down from £233m. This was after a below-the-line debit of £19m representing exchange rate translation differences. Earnings for the half year came to 60.03p per share (62.19p).

In the second quarter, outside Europe and North America, the group achieved widespread profit gains, including a positive first time contribution in the half from Brooke Bond, which was acquired last year.



Sir Kenneth Durham, chairman of Unilever

Second quarter sales came to £4.55m against £4.09m, a rise of some 11 per cent, and produced operating profits of £272m against £279m, to which was added £18m (£13m) from the share of associated companies' profits. This increase largely reflects the inclusion of the results of Brooke Bond associates.

Other income from fixed investments came to £3m (£2m) in the quarter, and interest receivable and similar income added more at £26m against £21m, but interest charges rose from £42m to £53m. The higher net interest costs were primarily due to acquisitions. Unilever made 10 purchases of various sizes during the first half, and disposed of 11 companies.

The second quarter saw a reduction in the tax charge from £124m to £111m, mainly from lower tax rates in the UK, and there was a debit of £3m (nil) as a tax adjustment for previous years. Minority interests accounted for £13m (£10m).

If end of quarter exchange rates are applied to the attributable profit, it decreases by 7 per cent in sterling, increases by 4 per cent in dollars, and is virtually unchanged in Dutch guilders. An extraordinary debit of £10m reflects the translation of the results to end of quarter exchange rates, leaving attributable profits at £129m (same).

Combined earnings per share of the UK and Dutch sides of the group are shown at 34.46p against 37.15p for the three-month period.

The directors say that the strategy of concentrating the core businesses of the group made good progress during the half year. The largest acquisition was the flavours and perfumery business Norda, with operations in the U.S. and in Canada, and it also entered into a joint venture with a detergents and personal products company in Korea.

The main disposals made during the period were the transport companies Norfolk Line and SDP Group, the building materials company Kennedy's, and the floor and wall coverings company Nairn International. The most recent sale, announced last week, was that of the UK and Irish operations of the timber company Mallinson-Denny.

See Lex

# BBA to buy Uniroyal's belting interests in U.S. for £10m

BY DAVID GOODHART

BBA Group has announced an agreement in principle to buy the rubber belting business of Uniroyal Inc in the U.S. and Canada for approximately $13.5m (£9.8m).

The acquisition is subject to an accountant's report on the assets and approval from the Canadian authorities.

It is the third this year by BBA which makes brake and clutch linings and conveyor belting. In June it bought the Dutch company, Synterials, for £16.3m and in February it spent £15.75m on the motor business subsidiary of Cape Industries.

Uniroyal's rubber belting interests are based in Ohio and Ontario. They have recently returned to profitability after some years of losses thanks in part to the withdrawal from the Canadian market of A. S. Goodrich, which had been the second biggest company in the sector after Goodyear. A turnover of $33.7m is expected this year.

Mr Ray Mitchell, BBA group finance director, said that the Uniroyal companies would be merged with Scandura, BBA's principal U.S. company, which manufactures and distributes pvc-coated belting in North America.

"The merger will provide several opportunities for squeezing out costs and will result in a new company with a total turnover of $50m to $60m a year—putting it number two behind Goodyear," he said. Scandura last year made a profit of a little less than $2m on a turnover of $20m.

The company said that the acquisition "will enhance Scandura's product range to serve such markets as overhead coal conveying, sand and gravel transport, and heavy duty bulk materials handling.

BBA last year saw a slight drop in its profits to £5.41m on a turnover of £176m. To finance the present deal BBA has arranged a U.S. dollar eurocurrency facility which will be borrowed by a wholly-owned subsidiary. It will take BBA's gearing to about 40 per cent. The book value of the assets being acquired is $14m (£10.1m).

It is expected that $13m will be payable on completion on August 31, leaving $500,000 to be paid within 90 days.

# Net assets up 15% at Group Investors

THE BASIC net asset value for Group Investors at the year-end was 15 per cent higher than a year previously. The trust reported nav, taking prior charges at par, of 314.6p at June 30, 1985 compared with 272.7. The figure fully diluted for options outstanding was 288.9p (249.1p).

The directors are proposing a final payment of 2.9p net, making a total for the year of 4.2p. That compared with last year's final of 2.5p and a total of 3.7p.

Gross revenue showed an increase of 5 per cent to £897,000 (£854,000). That was made up of £718,000 (£698,000) from investments, interest on deposits of £166,000 (£154,000) and underwriting commission of £13,000 (£2,000).

With tax at £171,000 (£155,000), net attributable revenue came out at £399,000 (£296,000).

# Acquisitions give sales boost to Rotaflex

IN THE first half of 1985 Rotaflex, the light fitting manufacturer, has benefited from the extra sales provided by new acquisitions but not yet from their profits.

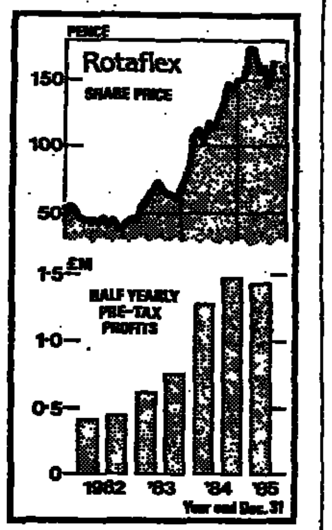
Sales, therefore, have expanded from £17.39m to £25.12m—equal to a 44 per cent rise—but profit before tax was ahead from £1.28m to £1.44m, or an increase of 12.1 per cent.

Sales in the traditional business continued to grow but most of the increase was derived from Le Dauphin (of France) and Falks (of South Africa), whose acquisitions were completed only in the second half of 1984.

Net margins in the traditional business have been maintained. The new businesses are not expected to contribute significantly to profits until 1986.

Subject to no undue adverse influences from outside factors, such as currency fluctuation, the directors express confidence that the group will achieve a satisfactory result in the second half. They are raising the interim dividend to 1.4p net (1.2p)—total for 1984 was 4.5p paid from profits of £2.76m.

The directors are particularly encouraged by the success of the new product launches from both Concord and Lumiance. Emphasis on new products and businesses,




which are complementary to the company's area of focus, continues.

Moves by Linolite and Lumiance and the integration of Le Dauphin and Falks with the existing businesses are going well and will be completed during the autumn. Accordingly, the company is on plan to meet the targeted results for 1985.

After tax of £428,000 (£337,000) for the half year, the net profit came out at £1m (£945,000) for earnings of 8.4p (8p) per share. In addition there is £54,000 (£38,000) written off goodwill.

● comment

ROTAFLEX's associates are proving only marginally less leaky in 1985 than last year when the trio lost the group in excess of £600,000 for the full twelve months. The crunch point must be close at hand and one way or another it would be surprising if 1985's losses totalled much more than the £¼m or so lost to date. Associates have obviously held the group back, while moving two production plants has been a handicap and last year's two acquisitions—Le Dauphin and Falks—are chipping in plenty of sales but precious little to profits after financing costs. So the interim profits rise of an eighth must rate as a fair achievement. Mr Frye's earlier remarks about a year of "consolidation" have now been substituted by expressions of a "satisfactory result," so tentative forecasts of £3½m, made last April, can now be repeated with more confidence even though the general lighting market looks a little softer than it did a few months ago. The shares slipped to 163p yesterday, leaving the prospective p/e at 8½. That looks fair value as we get closer to 1986 when the traumas of plant moves and double running costs fade into the background and Dauphin starts to produce a decent return on its FFr 70m of sales.

# Matthew Clark rises 40% and lifts final

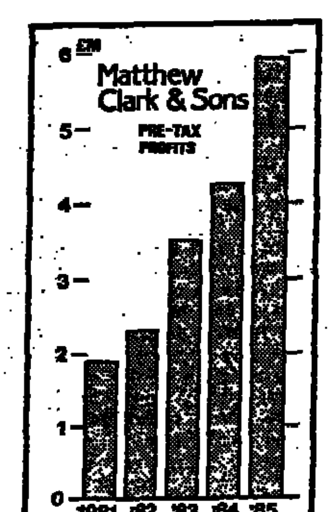
THE GROWING popularity of the product range at Matthew Clark and Sons (Holdings), the wine and spirit distributor and British wine maker, is reflected in 1984-85 results, the directors say.

At £5.96m pre-tax, the profit for the year ended April 30 1985 shows a 40 per cent advance over the comparable £4.26m. And shareholders benefit further — after a 1p lift to the interim dividend the final is raised by a similar amount to 9p, making a net total of 14p. They will also receive a one-for-one scrip issue.

The directors say, at this stage, they cannot predict an increase in profit of that magnitude for the current year, but tell shareholders that trading has continued at an encouraging level. All divisions are showing solid all-round growth in the opening months.

They feel that some £500,000 of the 1984-85 profit increase can be attributed to an exceptionally high level of sales for the products of the 51 per cent owned J. E. Mather and Sons, following understocking of British wine by the trade at the start of the year and a successful promotion campaign in the summer, and a boost in sales of Stone's Ginger Wine resulting from the exceptionally cold winter.

Mather's sales of both British sherry and of light British wine have continued to increase. It expanded its profit from £3m to £4.46m. The year under review was the first in which no commission was payable by Mather to John Holt Vintners and this helped profits by over £100,000; last time the commission was




paid from May 1 to December 31.

Group turnover in 1984-85 moved ahead from £79.94m to £87.54m including Customs and Excise Duty £34.19m (£33.21m). After tax £2.6m (£1.94m) and minorities £1.25m (£861,000), the net attributable profit comes to £2.12m (£1.45m), or 48.8p (33.5p) per share. Last time there was also an extraordinary credit of £130,000.

Finsbury Distillery produced record profits from both its UK and export sales, Malcolm Cowen extended its sequence of record profits to 23 years, and John Ansell and Partners' total income increased by over 45 per cent.

Crokerton Distribution failed to achieve the looked-for improvement and, as indicated at the interim stage, its scale of operation has been reduced and it has been merged into Matthew Clark and Sons. Its losses rose to more than £100,000 over the year.

● comment

This was an exception year for Matthew Clark and the group is not afraid to admit it. First, there were some unusual Budget effects on Mather's sherry lines: the trade was understocked in anticipation of duty cuts in the 1984 Budget but overstocked in anticipation of duty increases in the 1985 Budget, and the consequent bulges in sales both fell in the last financial year. Second, the £300,000 or so paid to John Holt Vintners in commission the previous year was not repeated. Third, large number of imbibers found Stone's ginger wine a far from poisonous anti-freez during the vicious winter. These exceptional factors, however, do not detract from Clark's strong underlying performance. Sherry may not be a growth market but Mather is taking an increasing share of it with its Old England brand and own-label lines supplied to supermarkets. Meanwhile the other brands such as Martell cognac, de Kuyper cherry brandy, Janneau armagnac and Taittinger champagne seem to be benefiting from a trend towards upmarket drinks and cocktails. Yesterday's figures were well ahead of forecasts of £5.3m and sent the shares up 50p to 625p. This year's growth will not be as rapid but £6.3m looks well within reach, a figure which has the shares on a conservative prospective p/e ratio of 11 after a 40 per cent tax charge.

# Agreed bid for Christie-Tyler

BY LISA WOOD

Hillsdown Holdings, the food group which already has a small interest in the furniture trade, has made an agreed £6.25m bid for Christie-Tyler, Britain's largest manufacturer of upholstered furniture.

Hillsdown said yesterday that the acquisition provided it with a unique opportunity to expand its existing furniture businesses which include the manufacture of reproduction furniture, office furniture and the importing and distribution of plywood.

Mr Ken O'Sullivan, group financial director of Christie-Tyler, which supplies all of Britain's major furniture retailers, said: "Hillsdown brings extra resources to us. Its policy has been to concentrate on market sectors and improve them and we believe the same can be done for the furniture business. As retailers get bigger manufacturers have to do the same."

Hillsdown is offering 65p in cash for each ordinary share in Christie-Tyler.

Mr George Williams, chairman of Christie-Tyler, his family interests together with Mr Richard Willan, managing director, and Investors in Industry and certain of its associates have given undertakings to accept the offer in respect of shares representing 52.5 per cent of the company's equity.

Hillsdown said yesterday that Christie-Tyler like all of its other businesses, would continue to operate as a separately managed entity. Mr Williams and Mr Willan would remain as chairman and group managing director of Christie-Tyler respectively.

Based in Wales, Christie-Tyler employs 3,000 people and has 28 factories. In the year to 30 April 1985 it made pre-tax profits of £1.6m compared with £1.3m in 1983-84. Results have steadily improved since 1982 when heavy losses were incurred and the company closed several factories in South Wales.

Hillsdown, which came to the Stock Exchange in February, was founded 10 years ago by Mr David Thompson, a food company executive, and his solicitor, Mr Harry Solomon.

The joint chairmen have built the group by buying ailing businesses and rejuvenating them. Brands include Smedley's, Lockwoods and Buxted. It also owns FMC, the largest UK meat company. Pre-tax profits for 1984 were £18.9m, compared with £11.5m in 1983.

Mr Solomon said: "Christie-Tyler has a tremendous reputation for its knowledge of the industry, its designs and quality controls but perhaps we can help produce more growth.

"We hope we can provide the right framework for its development and we believe we have bought it at the right price."

Hillsdown's furniture interests make up less than 10 per cent of turnover.

Merchant bankers Kleinwort Benson, will be shortly sending the formal offer document to shareholders of Christie-Tyler.

Hillsdown shares closed 5p higher yesterday at 160p. Christie-Tyler's shares lost 15p at 63p.

# Conrad dealings start next week

DEALINGS start next Monday in the shares of Conrad Holdings, the new company formed by the acquisition of EGC Construction Group, a private manufacturer of exhibition stands, by the diminutive quoted Russell Brothers (Paddington).

Having suspended its share quote in March, Russell announced last month that it intended to acquire the capital of EGC for £2.6m to be financed by the issue of 3.714m shares compared to the 1.44m already in issue.

The purchase is described by Mr Bill Johnson, managing director, as the first major step towards building a force in the highly fragmented exhibition services market.

Mr Johnson, together with Mr Neil Phoenix, the chairman, took control of Russell late in 1983 after years of losses. The company returned to the black with a £70,000 profit before exceptional items for the year following their acquisition.

A placing has been arranged at 70p a share for 3.08m of the shares issued to the vendors. Two Dorling brothers, who controlled 51 per cent of EGC, will not be joining the board of the enlarged group.

Brokers, de Zoete & Bevan have also arranged for a placing of 545,715 new shares in Conrad to raise £160,000 for the company after expenses.

After the issue, Neil Phoenix will retain a 16 per cent interest with the directors overall holding around 22 per cent of the company.

On a pro-forma basis, group profits are £718,000 pre-tax, before £457,000 of exceptional items on turnover of £7m. Assuming a notional 35 per cent tax charge the placing price represents a p/e of 8½ and yield of 7.1 per cent on the basis of a 3.5p dividend.

## COMPANY NEWS IN BRIEF

MERCHANTS TRUST net asset value per share stood at 119.2p at the end of the six months to July 31 1985 compared with 98.6p in 1984. Net revenue came to £2.11m against £1.53m after tax and expenses. The interim dividend is raised from 1.3p per share to 1.75p to reduce disparity, and the directors restate their intention to pay a final of 2p.

FRASER WILLIAMS Group, one of the 10 largest independent computer services organisations in the UK, attained a record taxable profit of £796,000, against £669,000, in the year to end-March 1985.

MEGGITT HOLDINGS has reached agreement for the acquisition of A. S. Doran Holdings (UK), trading as Asdor Products. Asdor is engaged in the production of filters and rigid pipe assemblies made to a high specification for the aerospace sector, both in the UK and overseas. An initial consideration of £122,774 is to be paid, of which £33,774 is to be satisfied by the issue of 36,317 ordinary shares and the balance in cash.

CROXLEY SECURITIES, which provides corporate finance services, made a pre-tax profit of £62,000 on turnover of £143,000 in the half year ended June 30 1985, and says prospects for the rest of the year are favourable.

WORDPLEX Information Systems has acquired Asesores Word Processing S.A., which will be renamed Wordplex Espana S.A.

EXTEL Group's rights issue of 7,027,824 new ordinary shares has been taken up as to 92.4 per cent. The balance has been sold in the market and the excess over the subscription price (after deducting sale expenses) of around 28.5 per share, will be distributed pro rata to those provisional allottees originally entitled thereto.

BESTWOOD'S rights issue of up to 693,333 new ordinary shares has been taken up as to 93.6 per cent.

## DIVIDENDS ANNOUNCED

| | Current payment | Date of payment | Corre-sponding div. | Total for year | Total last year |
|---|---|---|---|---|---|
| Group Investors | 2.9 | Oct 10 | 2.5 | 4.2 | 3.7 |
| Investors Capital ... int. | 1.65 | Oct 7 | 1.5 | — | 3.95 |
| Matthew Clark | 9 | Oct 14 | 8 | 14 | 12 |
| Meat Trade | 3.5 | — | 3.5 | 5.25 | 5.25 |
| Restmor Group | 3.25 | Oct 11 | 3* | 4 | 3.75* |
| Rotaflex ... int. | 1.4 | Nov 1 | 1.2 | — | 4.5 |

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

# Restmor profits slip in the second six months

FOLLOWING the slowdown in the first half, Restmor Group slipped into reverse in the last six months of the year to May 3, 1985. On turnover up from £7.2m to £8.05m, pre-tax profits fell 14 per cent to £825,000 from £964,000.

That produced a profit outcome for the year of £1.63m (£1.76m), on turnover up by 10 per cent to £15.48m from £14.03m. The final dividend is raised to 3.25p net from last year's 3p adjusted for the one-for-one scrip issue at the end of last year. The total payment is 4p against an adjusted 3.75p.

During the year the company, which makes prams and nursery furniture, invested in increasing its output mainly by the construction of a new factory.

With a tax charge of £708,000, against £729,000 in 1983-84, and no extraordinary items, compared with £338,000 for the previous year, the earnings per share came out at 8.93p against an adjusted 9.96p.

GROVEBELL GROUP has sold its 14.39 per cent holding in Adams and Gibbon, the Newcastle-based motor dealer which has just agreed to a £5.84m takeover by BSG International. The stake, which was not acquired by BSG, is understood to have been split up and sold through the market to a number of buyers.

# UK COMPANY NEWS

## Bell chief withdraws profits statement

By Lisa Wood

MR RAYMOND MIQUEL, chairman of Arthur Bell & Son, the Scotch whisky distiller, yesterday withdrew a statement he had made forecasting Bell's profit growth in the next five years.

Later in the day Mr Peter Tyrie, a fellow director of Bell, totally broke ranks and announced he had written to Bell's shareholders urging them to accept the £360m bid by Guinness for Bell in the absence of an alternative bid.

Mr Miquel, who is fiercely fighting the Guinness bid, had been reported in the Glasgow Herald on Monday as saying that Bell was looking to double its profits in the next five years as it had done in the previous five.

Bell said yesterday: "This statement resulted from a comment which was not intended and should not be regarded as a profits forecast within the terms of the City Code on Takeovers and Mergers, since it cannot be corroborated as required by the Code, and accordingly is withdrawn."

Bell recently was asked by the Take-over Panel to "clarify" two statements it made in its rejection document of the original Guinness bid after complaints to the Panel by Guinness.

Bell also said yesterday that its board, with the exception of Mr Peter Tyrie, director of the Gleneagles Hotel division, wished to make it clear it was seeking an alternative offer

Early this week there was some confusion as to whether or not Bell was actively seeking an alternative offer or wanted to remain independent.

Mr Tyrie yesterday carried out his threat to write to Bell's shareholders outlining why he thought Bell should accept the Guinness offer in the absence of a suitable better offer emerging.

"If Bells is acquired by Guinness," he said, "it will be a major component in a strong group with diverse interests which would add strength and depth to the existing management of Bells."

He added: "I believe that Bells as an investment is in a mature phase and that there must be real doubt whether it will, in the foreseeable future, achieve sufficient growth of earnings to justify the price earnings multiple placed on its ordinary shares by the Guinness offer."

## Yearlings unchanged

The interest rate for this week's issue of local authority bonds is 11 per cent, unchanged from last week and compares with 10½ per cent a year ago.

A full list of issues will be published in tomorrow's edition.

## Saxon Oil shares soar against merger confusion

BY MARTIN DICKSON

CONFUSION AND uncertainty last night surrounded a proposed merger between two of Britain's independent oil companies—Saxon Oil and Charterhouse Petroleum—following a last-minute bid approach to Saxon by Enterprise Oil.

Shares in Saxon soared yesterday, closing at 460p, up 120p on the day, following the news late on Monday night that Enterprise had approached Saxon about a possible bid at an "indicated price" of not less than 525p a share in cash. Enterprise is the former offshore oil producing arm of British Gas and was privatised 14 months ago.

The announcements came just hours before yesterday's first closing date for shareholders to accept the Saxon-Charterhouse merger. Both the sharp rise in Saxon's share price and uncertainty about a possible Enterprise bid seemed certain to have substantially reduced the level of acceptances.

The two companies said last night that more than 75 per cent of Charterhouse's shareholders had accepted the merger proposal, but only around 35 per cent of Saxon's. This was not enough to go unconditional and the offer would be extended.

Saxon said on Monday night that it could not agree to Enterprise's proposals because the price was inadquate and because Enterprise had not demonstrated that it could implement all the conditions of the offer.

Mr Graham Hearne, chief executive of Enterprise Oil

However, the two companies held further talks yesterday. Mr Julian West, an Enterprise executive, said his company would now be tryig to clear up points Saxon wanted resolving in an attempt to get its board to recomend an offer from Enterprise.

Mr John Heaney, chief executive of Saxon, said that if Enterprise did make an offer, his board would have to consider it as quickly as possible and owed it to shareholders not to treat it casually.

However, there was anger in both the Saxon and Charterhouse camps last night at the late entrance of Enterprise and the fact that news of its approach had been released—at the insistence of the Takeover Panel—even though it fell short of a full bid.

Mr Tony Craven Walker, managing director of Charterhouse, accused Enterprise of spoiling tactics. "To come in at the 23rd hour and the 58th minute when it could have done so a month ago is quite astonishing," he said.

A formal statement by Charterhouse added that any "serious offer" for Saxon would not have been left to the last moment and that a 525p a share price would not reflect the value of Saxon's assets. It said it would not be in the interests of Saxon or Charterhouse's shareholders to accept a cash offer at such levels when the prices of oil shares were temporarily depressed.

Mr West said Enterprise had first approached Saxon some months ago and been rejected. It had decided to try again after studying the merger proposals with Charterhouse and deciding there would be even more benefits in a Saxon-Enterprise link-up.

## Investors Capital net assets slip

Investors Capital Trust, the Edinburgh-based investment trust, had a net asset value per 25p share of 265.5p as at June 30 1985. This was 2.2 per cent lower than the figure of 271.6p six months' earlier.

Pre-tax profits for the six months to June 30 were little changed at £1.93m, against £1.99m for the half year to May 31 last time. The company changed its year end in 1984 from November 30 to December 31.

Earnings per share were virtually unchanged at 1.93p (1.92p), while the net interim dividend is stepped up from 1.5p to 1.65p—last year's final was 2.45p.

The board says rates of dividend growth have continued to exceed inflation in the major markets where the company is invested. The company's principal objective continues to be capital growth and through that, an increase in income and the maintenance of the real value of annual dividends.

Good performances were achieved in the U.S., Germany and Holland, but much of the rise in the Japanese markets occurred in sectors where the portfolio was under-represented.

In anticipation of the U.S. dollar's weakness, part of the company's dollar portfolio was hedged against the yen and the D-mark. The strength of the pound against these latter currencies also substantially reduced the potential benefit of that hedging.

In the UK, equity prices marked time and the electronics sector was weak.

Investment income for the six months dropped from £2.59m to £2.18m and interest received and other income was lower at £258,000, against £865,000. Interest charges however, showed a sharp reduction from £1.09m to £194,000.

The company will shortly be writing to shareholders—further to its circular in May — with details of the board's plans for the trust's future management.

The trust is to turn its existing in-house management team into a separate management company, which will be headed by Mr David Williams, former deputy managing director of the Murray Johnstone fund management group.

The company believes the change will allow it to attract and keep skilled staff more easily and also to attract additional funds for it to manage.

## Capital Gearing against £2m bid

In a letter to shareholders, Maj G. W. Harding, the chairman of Capital Gearing Trust, informed them of the terms of the £2m bid from Harvard Securities.

He told them that the directors and their families were not interested in exchanging their shares in the company for shares in Havard, and neither did they wish to accept the cash alternative.

The company is to write to shareholders again after Harvard's offer document has been received. In the meantime, the directors and their families—who, together with associates, control more than 50 per cent of the shares—do not propose to take any action over their shares and are urging shareholders to follow this example.

## Dealings restart in Acorn Computer

DEALINGS recommenced yesterday in Acorn Computer Group, which was suspended in June following the restructuring which gave the Italian office products group Olivetti a holding of 80 per cent.

The newly consolidated 10p shares opened at 2½p, compared with a suspension price of 11p, and closed at 6½p. Last year, before its troubles became apparent, Acorn shares reached a high of 197p.

Apart from Olivetti's controlling interest, two founding directors of the company, Mr Christopher Curry and Mr Herman Hauser, own 14.5 per cent of the equity, leaving just 5.7 per cent actively traded on the USM.

## Suter lifts Raine stake to 14.99%

Suter, the acquisitive engineering group headed by Mr David Abell, has increased its holding in housebuilding and engineering concern Raine Industries from 7.4 per cent to 14.99 per cent with the purchase of 1.95m shares.

Mr Abell said the stake was being held as an investment, and there was no intention of making a bid. He declined to say at what price the shares had been bought, but indicated that there had been a discount to Raine's opening price yesterday of 21p.

Should Suter wish to sell, a holding of nearly 15 per cent might be an attractive prospect for any potential buyer.

## BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims:— Commercial Union Assurance, Foreign and Colonial Investment Trust, General Accident Fire and Life Assurance, Phicom, Ryan International, Trencherwood, Tricentrol, Ultramar, Yelverton Investments.

Finals:— Imry Property, London Trust, ML Holdings, McKay Securities, Rea Brothers, Victor Products.

FUTURE DATES

Interims:—
Fife Indmar ........ Aug 20
Hawley ........ Aug 21
Insight ........ Aug 21
Kean and Scott ........ Aug 21
Mersey Docks and Harbour ... Aug 21

Finals:—
Cope Allman International ... Sept 4
Our Price ........ Sept 9













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# UK COMPANY NEWS

GOLD FIELDS GROUP

## NEW WITS LIMITED

*(Incorporated in the Republic of South Africa)*

PRELIMINARY ANNOUNCEMENT OF RESULTS

| | Year ended 30 June 1985 | Year ended 30 June 1984 |
|---|---|---|
| | R000 | R000 |
| REVENUE | | |
| Income from investments | 12,078 | 10,656 |
| Surplus on realisation of investments | 1,067 | 21 |
| Interest and sundry | 751 | 428 |
| | 13,896 | 11,105 |
| EXPENDITURE AND WRITE OFF | 665 | 1,089 |
| Exploration | 100 | 231 |
| Administration | 550 | 500 |
| Written off | 15 | 358 |
| PROFIT BEFORE TAX | 13,231 | 10,016 |
| Tax | 386 | — |
| PROFIT AFTER TAX | 12,845 | 10,016 |
| Minority shareholders' interest | 226 | 152 |
| PROFIT ATTRIBUTABLE TO MEMBERS | 12,619 | 9,864 |
| Unappropriated profit, brought forward | 148 | 162 |
| | 12,767 | 10,026 |
| Less: | 12,711 | 9,878 |
| Dividends declared: | 8,086 | 5,776 |
| Interim 22.0c (18.0c) | 2,541 | 2,079 |
| Final 48.0c (32.0c) | 5,545 | 3,697 |
| Transfer to reserves | 4,625 | 4,102 |
| Unappropriated profit, carried forward | 56 | 148 |
| Earnings per share—cents | 109 | 85 |
| Dividends per share—cents | 70 | 50 |
| Times dividends covered | 1.6 | 1.7 |
| Net assets (as valued) per share—cents | 1,657 | 1,533 |

ANNUAL REPORT

The annual report will be posted to members in September 1985.

DECLARATION OF FINAL DIVIDEND

Dividend No. 69 of 48 cents per share in respect of the year ended 30 June 1985 has been declared in South African currency, payable to members registered at the close of business on 30 August 1985.

Warrants will be posted on or about 1 October 1985.

Standard conditions relating to the payment of dividends are obtainable from the share transfer offices and the London Office of the company.

Requests for payment of the dividend in South African currency by members on the United Kingdom register must be received by the company on or before 30 August 1985 in accordance with the abovementioned conditions.

The register of members will be closed from 31 August to 6 September 1985, inclusive.

By order of the Board
per pro CONSOLIDATED GOLD FIELDS PLC
London Secretaries
Mrs. G. M. A. Gledhill, Secretary

London Office:
49 Moorgate
London EC2R 6BQ
13 August 1985

United Kingdom Registrar:
Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL

GOLD FIELDS GROUP

## GOLD FIELDS PROPERTY COMPANY LIMITED

*(Incorporated in the Republic of South Africa)*

PRELIMINARY ANNOUNCEMENT OF RESULTS

| | Year ended 30 June 1985 R000 | Year ended 30 June 1984 R000 |
|---|---|---|
| TURNOVER | 12,761 | 16,907 |
| REVENUE | | |
| Income from rent and sale of property | 5,320 | 6,347 |
| Income from investments | 875 | 923 |
| Surplus on realisation of investments/mineral rights | 1,200 | 3,375 |
| Income from dumps, interest and other sources | 2,040 | 1,966 |
| | 9,435 | 12,611 |
| EXPENDITURE | 1,735 | 1,524 |
| Administration, property and general | 1,698 | 1,459 |
| Interest | 37 | 65 |
| PROFIT BEFORE TAX | 7,700 | 11,087 |
| Tax | 2,783 | 4,227 |
| PROFIT AFTER TAX | 4,917 | 6,860 |
| Unappropriated profit, brought forward | 305 | 209 |
| | 5,222 | 7,069 |
| Less: | 5,100 | 6,764 |
| Dividends declared: | 2,454 | 2,352 |
| Interim 9.0c (—) | 920 | — |
| Final 15.0c (23.0c) | 1,534 | 2,352 |
| Transfer to reserves | 2,646 | 4,412 |
| Unappropriated profit, carried forward | 122 | 305 |
| Earnings per share—cents | 48 | 67 |
| Dividends per share—cents | 24 | 23 |
| Times dividends covered | 2.0 | 2.9 |
| Net assets (as valued) per share—cents | 454 | 395 |

ANNUAL REPORT

The annual report will be posted to members in September 1985.

DECLARATION OF FINAL DIVIDEND

Dividend No. 125 of 15 cents per share in respect of the year ended 30 June 1985 has been declared in South African currency, payable to members registered at the close of business on 30 August 1985.

Warrants will be posted on or about 1 October 1985.

Standard conditions relating to the payment of dividends are obtainable from the share transfer offices and the London Office of the company.

Requests for payment of the dividend in South African currency by members on the United Kingdom register must be received by the company on or before 30 August 1985 in accordance with the abovementioned conditions.

The register of members will be closed from 31 August to 6 September 1985, inclusive.

By order of the Board
per pro CONSOLIDATED GOLD FIELDS PLC
London Secretaries
Mrs. G. M. A. Gledhill, Secretary

London Office:
49 Moorgate
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13 August 1985

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**Stefan Wagstyl on the outlook for Britain's independent computer leasing companies**

# Facing up to the IBM challenge

TRADING IN the shadow of IBM, Britain's independent computer leasing companies have learnt to jump quickly whenever the Big Blue makes a move.

Their reactions are likely to be tested severely in the coming months as IBM, which has recently suffered two consecutive falls in quarterly profits, steps up the pace in an effort to boost sales.

The independents, with lease portfolios made up almost entirely of IBM equipment, will be striving to make the most of IBM's launch of its first big mainframe range for four years—the 3090 series, popularly known as the Sierra—which is due to arrive in Europe in October.

The challenge will be particularly acute in the UK, where IBM is expanding its own leasing activities. IBM UK Financial Services last month announced a new lease, cheaper and more flexible than its previous offerings.

IBM only started leasing in 1981 in the U.S. and in 1983 in the UK, but is already the world's largest lessor of its own equipment. In the UK last year its leases accounted for more than £70m of its equipment sales of about £750m. This year it hopes for substantially more.

The independents also face continuing competition from their traditional rivals, the big banks, which dominate the UK leasing industry, and accounted for an estimated £200m of IBM equipment leasing last year.

But the specialist computer leasing companies, also sharing a UK turnover last year of about £200m, are in a confident mood.

"Business is steaming ahead," says Mr Parry Mitchell, chairman and chief executive of United Leasing, one of the UK's five quoted computer leasing companies. United has just signed the largest deal in its history—a £10m agreement with the Royal Bank of Scotland for two Sierra machines.

However, despite the fact that the independents have seen their sales rise by nearly 50 per cent a year according to broker Rowe and Pitman, there are those in the City who are not so sanguine about their future.

One analyst, who says that he is impressed with the independents' recent performance, adds that he still has "sleepness nights" about specialist computer leasing.

The root cause of these concerns is a fear that the independents are constantly vulnerable to attack from IBM, which might change its marketing strategies without warning; this is compounded by a belief that most leasing companies are too optimistic in the way they account for their profits.

Morover, say the critics, the industry's chequered history offers plenty of evidence of what can go wrong.

At the heart of the argument is the way the independents do business. Like the banks and IBM leasing companies they lease new equipment to clients, but unlike their rivals, they aim to make only a small profit from this transaction.

They rely instead on making most of their money on a piece of equipment after the original lease runs out—either on re-leasing or on selling the machine. By taking this anticipated profit into account in pricing the original lease, the independents are able to offer very fine terms. One analyst says: "In the end they're not financiers, but dealers in second-hand machines."

IBM itself is restrained from trading in second-hand equipment by anti-trust legislation in the U.S. and by EEC anti-monopoly rules in Europe. The banks meanwhile do not like the risks second-hand trading involves.

To trade in these ways, the independents rely heavily on their estimates of the future value of their portfolios.

The problem is not one of depreciation — because mainframe computers unlike cars or machine tools do not wear out — but of technological obsolesence. The launch of a new IBM range can slash the value of existing machines. So the trick is always to guess IBM's next move.

Unfortunately, leasing companies have got this wrong in the past. The industry was born in the 1960s with IBM's launch of the world's first mutually compatible family of computers, the System/360. The machines were so successful that leasing companies wrote them off over anything up to 10 years. Inevitably some independents were caught out by the launch at the beginning of the 1970s of the successor System/370, compounded by a slowdown in IBM sales.

An even larger disaster struck the leasing companies at the end of the 1970s with the introduction of the 370's replacements, the 308X and the 4300 series. The major casualty was the U.S. leasing company ITEL, which collapsed with losses of $443m.

Memories of this bankruptcy are still vivid in London because it rebounded on the Lloyd's insurance market. Lloyd's lost money because it had insured part of the "residual" or second-hand value of ITEL machines, under the now-notorious "J" policies.

The industry argues that in the 1980s it has learnt from its mistakes, in particular in being more cautious about how much "residual" profit is taken into account when a lease is signed.

Mr Nick Kennedy Scott, joint managing director of Comcap, the most conservative of the UK leasing companies, says: "The industry is infinitely more sophisticated than it was in the early days, 15 or 20 years ago."

This may be. But more far-reaching have been the changes tmhat have taken place in the IBM computer market place, making life less unpredictable for the leasing companies.

First of all, as a result of competitive pressures and the acceleration of technological change, the life-expectancy of a generation of IBM machines has fallen from over seven to under five years, smoothing out the impact of new machines on the market place.

This has been compounded by IBM's decision to abandon attempts to maintain prices through a computer's life cycle and instead bring down prices gradually over time — again in response to competition.

The relentless growth of the computer market has added greater depth to the leasing companies' client lists, increasing the opportunities for moving equipment from one customer to another. A particular development is the growth in cross-border trade, to take advantage of different market conditions. Among UK groups, IBL is especially active in several European countries.

A bigger market place also creates opportunities for product specialisation. Dataserv, for example, concentrates in the U.S. on leasing, cheque sorting and banking equipment.

Another way of reducing risk is diversification out of computer leasing. United has developed a UK micro computer distributor, Atlantic makes data communications equipment, and Comcap runs a specialist recruitment agency.

But it would be wrong to exaggerate the extent to which the specialist leasing companies' market place has grown more stable or predictable.

In the UK, where leasing has long been more tax-orientated than elsewhere, the whole leasing industry has been thrown into turmoil by the 1984 Budget. This is phasing out the tax advantages enjoyed by the providers of lease finance, usually the big banks, which not only fund their own leasing portfolios, but also those of the specialists.

The immediate effect has been to boost the volume of leasing to unprecedented levels (which tax advantages have still been available), but over the next two or three years volumes are expected to fall as the tax advantages disappear. The specialists may find it hard to buck the trend in these conditions, when straightforward loan finance may be more attractive than leasing.

The leasing companies can guard against tax changes by spreading their business across several countries. But there is no such protection against the overwhelming power of IBM.

For the moment, the leasing companies feel confident that they are well positioned to take advantage of the launch of the Sierra. This was originally expected a year ago but the delay has, if anything worked to the independents' benefit by extending the life of their existing portfolios.

IBM's expansion into leasing is more of an unknown quantity. Originally, the group only installed machines for rent, so as to keep in close touch with its customers. But in the 1970s it found the cost of funding this huge portfolio too much to bear and switched to outright sales. By the end of the decade it found itself losing touch with customers, often to the advantage of competitors, so it started leasing on its own behalf.

GROWTH OF THE UK'S COMPUTER LEASING COMPANIES

| | 1980 Turnover | 1980 Pre-tax profit | 1984 Turnover | 1984 Pre-tax profit | Year end 1984 |
|---|---|---|---|---|---|
| Atlantic Computers | £16.8m | £899,000 | £96.1m | £10.5m | Dec |
| Comcap | £7.3m | £63,000 | £33.6m | £2.94m | Dec |
| Dataserv | $37.9m | $898,000 | $110m | $3.45m | Dec |
| IBL | £14.3m | £328,000 | £153.2m | £7.5m | Dec |
| United Leasing | £8.8m | £581,000 | £176.3m | £5.3m | March (1985) |

"The industry is infinitely more sophisticated than it was in the early days, 15 or 20 years ago."

## BASE LENDING RATES

| | |
|---|---|
| A.B.N. Bank | 11½% |
| Allied Dunbar & Co. | 11½% |
| Allied Irish Bank | 11½% |
| American Express Bk. | 11½% |
| Henry Ansbacher | 11½% |
| Amro Bank | 11½% |
| Associates Cap. Corp. | 12 % |
| Banco de Bilbao | 11½% |
| Bank Hapoalim | 11½% |
| BCCI | 11½% |
| Bank of Ireland | 11½% |
| Bank of Cyprus | 11½% |
| Bank of India | 11½% |
| Bank of Scotland | 11½% |
| Banque Belge Ltd. | 11½% |
| Barclays Bank | 11½% |
| Beneficial Trust Ltd. | 12¼% |
| Brit. Bank of Mid. East | 11½% |
| ■ Brown Shipley | 11½% |
| CL Bank Nederland | 11½% |
| Canada Permanent | 11½% |
| Cayzer Ltd. | 11½% |
| Cedar Holdings | 12 % |
| ■ Charterhouse Japhet | 11½% |
| Choulartons** | |
| Citibank NA | 11½% |
| Citibank Savings | ¶12½% |
| City Merchants Bank | 11½% |
| Clydesdale Bank | 11½% |
| C. E. Coates & Co. Ltd. | 12 % |
| Comm. Bk. N. East | 11½% |
| Consolidated Credits | 11½% |
| Co-operative Bank | 11½% |
| The Cyprus Popular Bk. | 11½% |
| Duncan Lawrie | 11½% |
| E. T. Trust | 12 % |
| Exeter Trust Ltd. | 12 % |
| First Nat. Fin. Corp. | 13 % |
| First Nat. Secs. Ltd. | 13 % |
| ■ Robert Fleming & Co. | 11½% |
| Robert Fraser & Ptns. | 12½% |
| Grindlays Bank | ‡11½% |
| ■ Guinness Mahon | 11½% |
| ■ Hambros Bank | 11½% |
| Heritable & Gen. Trust | 11½% |
| ■ Hill Samuel | §11½% |
| C. Hoare & Co. | 11½% |
| Hongkong & Shanghai | 11½% |
| Johnson Matthey Bkrs. | 11½% |
| Knowsley & Co. Ltd. | 12 % |
| Lloyds Bank | 11½% |
| Edward Manson & Co. | 12½% |
| Meghraj & Sons Ltd. | 11½% |
| Midland Bank | 11½% |
| ■ Morgan Grenfell | 11½% |
| Mount-Credit Corp. Ltd. | 11½% |
| National Bk. of Kuwait | 11½% |
| National Girobank | 11½% |
| National Westminster | 11½% |
| Northern Bank Ltd. | 11½% |
| Norwich Gen. Trust | 11½% |
| People's Trust | 12½% |
| PK Finans. Intl. (UK) | 12 % |
| Provincial Trust Ltd. | 12½% |
| R. Raphael & Sons | 11½% |
| Roxburghe Guarantee | 12 % |
| Royal Bank of Scotland | 11½% |
| Royal Trust Co. Canada | 11½% |
| ■ J. Henry Schroder Wagg | 11½% |
| Standard Chartered | ‖11½% |
| TCB | 11½% |
| Trustee Savings Bank | 11½% |
| United Bank of Kuwait | 11½% |
| United Mizrahi Bank | 11½% |
| Westpac Banking Corp. | 11½% |
| Whiteaway Laidlaw | 12 % |
| Williams & Glyn's | 11½% |
| Yorkshire Bank | 11½% |

■ Members of the Accepting Houses Committee.
* 7-day deposits 8.00%. 1 month 8.50%. Top Tier—£2,500+ at 3 monthly notice 11.25%. At call when £10,000+ remains deposited.
‡ Call deposits £1,000 and over 8% gross.
‖ 21-days deposits over £1,000 9.25%.
¶ Mortgage base rate.
** See Provincial Trust Ltd.
§ Demand deposits 8%.

# Unilever results

**The Directors of Unilever announce the results for the second quarter and first half-year of 1985.**

With regard to the activities and results during the first quarter they refer to the announcement of 13th May, 1985.

UNILEVER COMBINED RESULTS ON AN HISTORICAL COST BASIS (£ millions)

| Second Quarter (Unaudited) 1985 | Second Quarter (Unaudited) 1984 | Increase/ (Decrease) | | Half-Year (Unaudited) 1985 | Half-Year (Unaudited) 1984 | Increase/ (Decrease) |
|---|---|---|---|---|---|---|
| 4,553 | 4,094 | 11% | TURNOVER | 9,284 | 7,918 | 17% |
| 272 | 279 | (3)% | OPERATING PROFIT | 503 | 478 | 5% |
| 18 | 13 | | Share of associated companies' profit before taxation | 29 | 25 | |
| 3 | 2 | | Other income from fixed investments | 14 | 4 | |
| 26 | 21 | | Other interest receivable and similar income | 51 | 42 | |
| (53) | (42) | | Interest payable and similar charges | (113) | (83) | |
| 266 | 273 | (3)% | PROFIT BEFORE TAXATION | 484 | 468 | 4% |
| (111) | (124) | | Taxation on profit of the year | (214) | (217) | |
| (3) | — | | Taxation adjustments previous years | (2) | 1 | |
| (13) | (10) | | Outside interests | (24) | (17) | |
| 139 | 139 | — | Profit attributable to shareholders | 244 | 233 | 5% |
| (10) | | | Difference on translation of 1985 results at end June 1985 rates of exchange | (19) | | |
| 129 | 139 | (7)% | PROFIT ATTRIBUTABLE TO SHAREHOLDERS | 225 | 233 | (3)% |
| 34.46p | 37.15p | (7)% | Combined earnings per share — per 25p of ordinary capital | 60.03p | 62.19p | (3)% |

**Exchange Rates** The results for the quarter and the half-year and the comparative figures for 1984 have been translated at comparable rates of exchange. These are based on £1=Fl. 4.13=U.S. $1.16, which were the closing rates of 1984. An exception has been made for the results which have arisen in hyper-inflationary economies, which for the current quarter and current half-year have been translated at forecast closing rates for 1985. The profit attributable to shareholders for the current quarter and current half-year has also been translated at the rates of exchange current at the end of June 1985 being based on £1=Fl. 4.47=U.S. $1.30.

**Review of the First Half-Year**

During the first half-year, two factors had a major influence on our profits. These were the disappointing results from our European edible fats business and the cost of implementing our programme of investment in the United States' detergents market, where our second quarter volume increased by 15%.

Elsewhere we achieved widespread profit gains, including a positive contribution from Brooke Bond. At comparable exchange rates profit attributable is 5% up in the half-year. When we apply the rates ruling at the end of June, profit attributable in sterling is down by 3% and in guilders is up by 4%.

**Second Quarter Results**

In the second quarter, the value of sales was 11% higher than in the corresponding quarter of 1984; total operating profit was 3% lower.

European operating profit was 8% above the second quarter of 1984. Our edible fats operations were confronted with depressed markets, pressure on margins and restructuring costs; producing in consequence substantially lower results. The detergents business was adversely affected by the cost of restructuring the German company, but the other major European operations had much higher profits.

Outside Europe and North America, our business continued to perform very well with operating profit some 25% higher than in 1984. In particular our detergents operations had an excellent quarter.

The increase in our share of associated companies largely reflects the inclusion of the results of Brooke Bond's associates.

The higher net interest costs are primarily due to acquisitions. Profit before tax decreases by 3%. The reduced tax charge results in the main from lower tax rates in the UK.

At comparable exchange rates, profit attributable is at the previous year's level. It decreases by 7% in sterling, increases by 4% in dollars and is virtually unchanged in guilders, when end-quarter rates are used.

**Acquisitions and Disposals**

Our strategy of increasingly concentrating on our core businesses made good progress during the first half-year. We acquired 10 businesses of various sizes, the largest of which was the flavours and perfumery business Norda with operations in the United States and Canada. We also entered into a joint venture with a detergents and personal products company in Korea. During the same period we disposed of 11 companies, the main ones being the transport companies Norfolk Line and SPD Group, the building materials company Kennedy's and the floor and wall coverings company Nairn International. At the beginning of August 1985 agreement was reached for the sale of the UK and Irish operations of the timber company Mallinson-Denny.

**Dates**

The results of the third quarter and announcement of interim dividends for 1985 will be published on Tuesday, 12 November 1985.

13th August, 1985

Unilever Quarterly Results are reprinted in leaflet form.
If you wish to be included in the mailing list for these leaflets please write to:
External Affairs Department, P.O. Box 68, Unilever House, London EC4P 4BQ.

Part of everyday life, in 75 countries.

GOLD FIELDS GROUP

## VOGELSTRUISBULT METAL HOLDINGS LTD.

*(Incorporated in the Republic of South Africa)*

INTERIM REPORT

CONSOLIDATED INCOME STATEMENT

| | *Six months ended 30 June 1985 | *Six months ended 30 June 1984 | Year ended 31 Dec. 1984 |
|---|---|---|---|
| | R000 | R000 | R000 |
| REVENUE | | | |
| Income from investments | 2,500 | 1,294 | 4,219 |
| Sundry | 849 | 408 | 1,048 |
| | 3,349 | 1,702 | 5,267 |
| EXPENDITURE AND WRITE OFF | 157 | 143 | 5,401 |
| Administration | 157 | 143 | 256 |
| Exploration | — | — | 2 |
| Written off | — | — | 5,143 |
| Profit/(Loss) before tax | 3,192 | 1,559 | (134) |
| Tax | 391 | 227 | 67 |
| Profit/(Loss) after tax | 2,801 | 1,332 | (201) |
| * Unaudited | | | |
| Earnings per share—cents | 15 | 7 | 28** |
| Dividends per share—cents | 10 | 5 | 16 |
| absorbing—R000 | 1,839 | 920 | 2,943 |
| Times dividends covered | 1.5 | 1.4 | 1.7 |

** Earnings per share before write-off

CONSOLIDATED BALANCE SHEET

| | *At 30 June 1985 | *At 30 June 1984 | At 31 Dec. 1984 |
|---|---|---|---|
| | R000 | R000 | R000 |
| Investments | 24,102 | 27,176 | 23,027 |
| Loans advanced | 904 | 1,054 | 1,105 |
| Net current assets | 1,564 | 933 | 1,475 |
| Current assets | 4,352 | 1,983 | 3,566 |
| Less current liabilities | 2,788 | 1,050 | 2,091 |
| | 26,570 | 29,163 | 25,607 |
| Share capital | 9,448 | 9,448 | 9,448 |
| Reserves | 17,122 | 19,715 | 16,159 |
| | 26,570 | 29,163 | 25,607 |
| * Unaudited | | | |
| INVESTMENTS | | | |
| Listed—market value | 55,899 | 41,737 | 49,150 |
| —excess over book value | 39,855 | 26,795 | 34,181 |
| —book value | 16,044 | 14,942 | 14,969 |
| Unlisted—book value | 8,058 | 12,234 | 8,058 |
| Number of shares in issue | 18,393,600 | 18,393,600 | 18,393,600 |
| Net assets (as valued) per share—cents | 437 | 342 | 386 |

NOTES:

1. **DIVIDENDS** The final dividend (No. 76) of 11 cents per ordinary share in respect of the year ended 31 December 1984, absorbing R2,024,000 was declared on 30 January 1985 and paid on 20 March 1985.
2. **PROSPECTS** It is expected that coal and metal prices will maintain their current high levels in Rand terms during the second half of the financial year. On this basis earnings for the year should be substantially higher than in 1984. It should be noted however, that the company intends to reduce the previously existing disparity between interim and final dividends. The 100 per cent increase in the interim dividend, therefore, should not be accepted as a guide to the possible total dividend distribution for 1985.

DECLARATION OF INTERIM DIVIDEND

Dividend No. 77 of 10 cents per share has been declared in South African currency, payable to members registered at the close of business on 30 August 1985.

Warrants will be posted on or about 1 October 1985.

Standard conditions relating to the payment of dividends are obtainable from the share transfer offices and the London Office of the company.

Requests for payment of the dividend in South African currency by members on the United Kingdom register must be received by the company on or before 30 August 1985 in accordance with the abovementioned conditions.

The register of members will be closed from 31 August to 6 September 1985, inclusive.

On behalf of the Board
B. R. van Rooyen, Chairman } Directors
A. J. Wright

Registered and Head Office:
Gold Fields Building
75 Fox Street
Johannesburg 2001
49 Moorgate
London EC2R 6BQ
13 August 1985

Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL

# FT COMMERCIAL LAW REPORTS

## Registrar's certificate is conclusive evidence of registration

REGINA V REGISTRAR OF COMPANIES, Ex PARTE ESAL (COMMODITIES) LTD — Court of Appeal (Lord Justice Lawton, Lord Justice Slade and Lord Justice Dillon): July 29, 1985

**CERTIFIED REGISTRATION of a company charge will not be set aside on the ground only that the chargee failed to present the required particulars to the Companies Registry within 21 days of creation of the charge, in that the court, though it can order judicial review of the Registrar's decisions if he has acted beyond his powers, cannot hear evidence as to whether the statutory requirements of registration have been complied with.**

The Court of Appeal so held when allowing an appeal by the Registrar of Companies from an order by Mr Justice Mervyn Davies *(FT, November 16 1984)* granting an application by Central Bank of India and others for judicial review of his decision to register a charge on Esal (Commodities) Ltd. The bank was the only respondent to the appeal.

Section 95(1) of the Companies Act 1948 provides: ". . . every charge . . . registered . . . shall be void against the liquidator and any creditor of the company unless the prescribed particulars of the charge . . . are delivered to . . . the Registrar . . . within 21 days after the date of its creation."

Section 98(2): "The Registrar shall give a certificate . . . of the registration of any charge . . . and the certificate shall be conclusive evidence that the requirements . . . as to registration have been complied with."

* * *

LORD JUSTICE LAWTON said that on February 29, 1984, solicitors intending to register a charge dated February 9, delivered to the Companies Registry a photocopy of what they claimed was the instrument creating the charge, together with a completed Form 47.

That was a statutory form which had been in use since 1900. It was not mandatory, but those using it correctly would set out prescribed particulars pursuant to section 95(1) of the Companies Act 1948.

The solicitors did not fill up the form correctly and overlooked that section 95(1) required them to send the original instrument, not a copy. The Registry returned the form, and a second slightly inaccurate form without registering the charge.

The solicitors submitted reasons why it should be registered, and the Registrar subsequently gave a certificate stating that it had been registered on February 29, 1984. He did not know that an unsecured creditor had presented a petition for Esal to be wound up, nor that an appeal was pending in respect of specific performance of the relevant charge.

Mr Justice Mervyn Davies adjudged that the Registrar had usurped jurisdiction by considering particulars delivered out of time, which was a function of the court under section 101 of the 1948 Act. He held that judicial review was available to Esal and to its creditors including Central Bank of India.

The Registrar did act without jurisdiction when he decided to register the charge without having had delivered to him within 21 days of February 9 the original of the instrument by which it was created.

By section 14 of the Companies Act 1900 Parliament had enacted that the Registrar should keep a register of company mortgages and charges. He was to give a certificate of registration which was to be "conclusive evidence" that the requirements of the Act had been complied with.

The scheme was repeated with amendments and additions in the Companies Acts of 1929 and 1948.

In *Re Yolland [1908] 1 Ch 152* the Court of Appeal adjudged that the certificate was conclusive that all the requirements had been complied with.

At page 156 Cozens-Hardy MR, referring to the mischief sought to be remedied, said that the purpose of section 14 was to protect general creditors or persons desiring to trade with the company. He said at page 158 that it would be so difficult as to be almost impossible for the person entitled to the charge to prove that all requirements were satisfied, and the certificate should therefore be conclusive.

In 1985 the general creditors of a company needed to be protected just as much as they did in 1900, and those who had registered mortgages or charges also required the same protection.

In *CL Nye [1971] 1 Ch 442* Lord Justice Harman said: "The certificate must be conclusive . . . The whole point . . . is to give security . . . If it were possible to go behind the certificate and show that the date of creation of the charge made it out of time, no lender . . . could be secure . . . That would be disastrous."

Mr McDonnell, for the bank, accepted that the cases were binding in "private law," where the dispute was between secured creditors and a liquidator, but contended that they were not binding in "public law" when the court was considering whether the Registrar had performed his duties in accordance with law.

In *National and Provincial and Union Bank of England [1924] 1 KB 431* all three members of the Court of Appeal spoke of the Registrar as acting judicially.

Since he had acted judicially, submitted Mr McDonnell, anyone with sufficient interest in the registration could apply for judicial review.

It was beyond argument that anyone with sufficient interest could apply to quash a decision of a person performing a public function who had acted without jurisdiction, or exceeded his jurisdiction, or in breach of natural justice.

Further, judicial review was not excluded by statutory provision to the effect that an order or determination should not be called in question by the court.

Those well-established principles were subject, however, to the overriding principle that Parliament could, by statutory provision, exclude recourse to the courts.

The courts must refuse to entertain matters in respect of which Parliament, by clear words or necessary implication, had enacted that they should not have jurisdiction.

Mr Mummery, for the Registrar, submitted that that was what Parliament had done by section 98(2) of the 1948 Act. The words in that subsection excluded the admission of evidence, not the jurisdiction of the court to grant judicial review.

He accepted that, save in special kinds of cases, section 98(2) had the effect of excluding jurisdiction, but it did not provide that the order or determination by the Registrar should not be called in question in any court.

Mr Mummery's submissions were accepted. In admitting evidence of what had happened on and after February 29 1984, the judge allowed the applicants for judicial review to lead evidence which was inadmissible. Without that evidence they had no cause for quashing the certificate.

In a Press notice dated November 16, 1984, given after the Mr Justice Mervyn Davies's decision, the Registrar stated that in future he would not accept for registration any Form 47 in original or amended form, delivered after the end of the 21-day period. No extension could be given by the Registrar, and any change where the Form 47 had not been properly completed within the 21-day period would be rejected; in such cases presentors would have to apply to the court for extension of time under section 101 of the 1948 Act.

The Registrar could have added that copies of instruments would not be accepted. The prescribed particulars did not as a matter of law have to be on Form 47, but chargees would be unwise not to put them on that Form.

Subject to those two provisions, the revised practice set out in the Press notice complied with the law and should be followed.

That did not mean, however, that obvious clerical or typing errors could not be corrected without recourse to the court.

The Registrar's appeal should be allowed and the certificate restored.

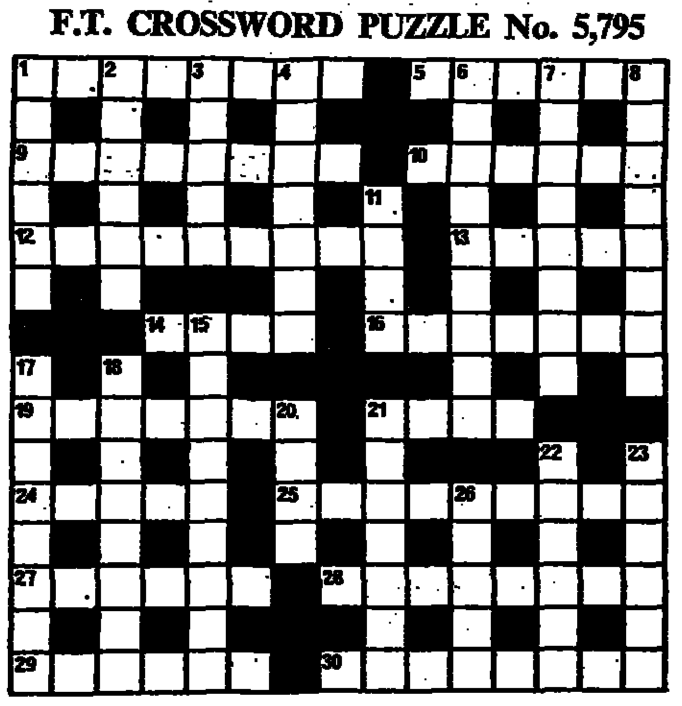
Lord Justice Slade and Lord Justice Dillon gave concurring judgments.

*For the Registrar: John Mummery and Nigel Davies (Treasury Solicitor).*

*For the bank: John McDonnell QC and A. Sen (Stocken and Lambert).*

**By Rachel Davies**
*Barrister*

## F.T. CROSSWORD PUZZLE No. 5,795



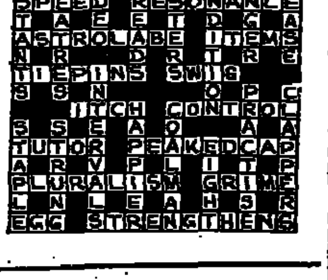
**ACROSS**

1 Defensive player takes shot—see it go wrong (8)
5 German golfer has a beer around noon (6)
9 Bird burning with love?—Pink, anyway! (8)
10 What is in brewers' yard could be rifled (6)
12 Record T. S. Eliot set for the short letter (9)
13 Silver and gold article found in market-place (5)
14 Second vehicle is wound (4)
16 Belly-ache after half the buns in the country (7)
19 Robin Hood's will read, we hear (7)
21 He knows how to present a piece of quiche favourably (4)
24 Country of genuine marks (5)
25 Promises of party in show-ring (9)
27 Well, French wine can impair horse's performance (6)
28 A slim one must change to become a pudding (8)
29 No indoor tennis in the beginning? (6)
30 Might concentration force advantage? (8)

**DOWN**

1 Cove at the end of the line? (6)
2 Heads of Rome in a car crash (6)
3 Town for old strikers? (5)
4 Soldier in uniform (7)
6 Alpine snowdrop? (9)
7 Ugly church-feature that made Gray ogle (8)
8 Faith I learn about at church (8)
11 Attempt to overturn cricketers (4)
15 Lovey-dovey in the garden? (9)
17 Having coffee, English so devour all the newspapers (8)
18 Waterfall giving one a dim view (8)
20 To doctor—it is grave! (4)
21 Setting to study at Reading (7)
22 Appealing in role of Lear, for instance (6)
23 Chemical mixed at shop (6)
26 Zero Fahrenheit, shivering—what did people do? (5)

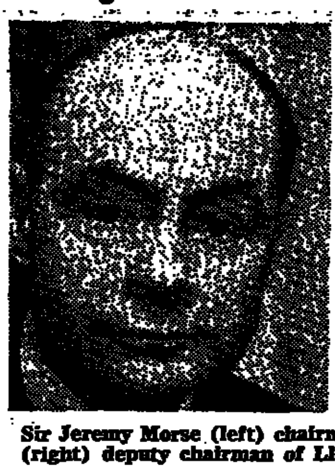
**Solution to Puzzle No. 5,794**






**APPOINTMENTS**

## Two boards formed at Lloyds Merchant Bank




Sir Jeremy Morse (left) chairman and Sir Lindsay Alexander (right) deputy chairman of Lloyds Merchant Bank Holdings

Lloyds Bank has announced the full composition of the board of LLOYDS MERCHANT BANK HOLDINGS, the parent company of the recently formed Lloyds Merchant Bank. Sir Jeremy Morse, chairman of Lloyds Bank, becomes chairman and Sir Lindsay Alexander, deputy chairman of Lloyds Bank, is made deputy chairman. Mr Piers Brooke, managing director of LMB, Mr Godfrey Chandler, former partner of Cazenove and deputy chairman of W. H. Smith and Son (Holdings), Mr David Horne, managing director of LMB, Mr Norman Jones, deputy chairman of Lloyds Bank and former chief executive of Lloyds Bank Group, Mr Geoffrey Kent, chairman of the Imperial Group, Mr Robert Owen, executive chairman of LMB, Mr Brian Pitman, chief executive of Lloyds Bank, Mr John Raisman, former chairman of Shell UK, have all become directors. Strategic advisers to the board are Mr D. G. Block, a director of Lloyds International in Australia, and Mr A. Kraus and Mr J. Neynaber, managing directors of Schröder, Münchmeyer Hengst and Co in Germany.

The board of LLOYDS MERCHANT BANK has been constituted as follows: Mr Robert Owen, executive chairman, Mr Piers Brooke, managing director, Mr David Horne, managing director, Mr Bruce Ackerman, Mr John Anderson (New Zealand), Mr David Anslow, Mr Ken Barber, Mr David Block (Australia), Mr Viktor Boehler, Mr Hugh Carroll, Mr Don Christopher, Mr Bernard Clark, Mr Peter d'Adhemar, Mr Richard Fortin, Mr Jim Galbraith (Switzerland), Mr Ron Hollidge, Mr Mel Jones, Mr William Knight, Mr Adi Kraus (Germany), Mr Stephen Lovelock (U.S.), Mr John Mitchell, Mr Jochen Neynaber (Germany), Mr David Nicoll, Mr Matthew Olex, Mr Donald Peck, Mr Ken Plummer, Mr Bob Prince, Mr Jack Pryde, Mr Jonathan Scott, Mr Peter Thompson, Mr Nigel Tose (Hong Kong) and Mr Andrew Winckler.

Mr J. D. P. Hughes has joined the board of the CHESHIRE BUILDING SOCIETY. He was group manager of accounting and administration and also a director of the Summers Building Society prior to its merger with the Cheshire in 1980. Following this merger Mr Hughes became a member of the local board.

*

Mr David M. Orton has been appointed group financial controller of RUBEROID in succession to Mr David S. Morris, who remains company secretary.

*

Mr John Barter, managing director of NOP Market Research, has been elected new chairman of the ASSOCIATION OF MARKET SURVEY ORGANISATIONS (AMSO). A former chairman of the Market Research Society, Mr Barter has represented NOP at AMSO for 20 years.

*

YORKSHIRE BUILDING SOCIETY has appointed two directors to the board: Mr Roger W. Suddards, senior partner of Last Suddard and Co and Mr Brian Jowett, a general manager of the Society.

*

Mr John D. Wilson has been appointed to the new role of group business development executive of YORKSHIRE CHEMICALS. For the past three years he has been responsible for planning and business development within the group's colours division. Mr W. A. McMillan, a director of Futura Holdings, has retired.

*

Mr Andrew Thomson, formerly resident representative for Plessey Egypt—covering defence and telecommunication requirements — has joined KOWIN CHINA INVESTMENTS, London, as a senior manager.

*

Mr Peter Stone, Mr David Ollett and Mr Robert Bowden-Smith have joined CITY MERCHANTS BANK senior management posts with the title of executive director. Mr Stone will head corporate lending, Mr Ollett trade finance and Mr Bowden-Smith will be financial controller and company secretary designate.

*

Mr R. M. (Bob) Smeaton has been appointed accounts executive of NATIONAL WESTMINSTER BANK'S Tokyo office. He succeeds Mr David Rankin who returns to the UK. Mr Smeaton was accounts executive of National Westminster Financial Futures based in London.

*

Mr Dennis F. Gepp has joined MIDDLE EAST BANK as treasurer. He was with Baring Brothers.

# FT UNIT TRUST INFORMATION SERVICE

## AUTHORISED UNIT TRUSTS

[illegible]

CONTINUED OVERLEAF

# AUTHORISED UNIT TRUSTS & INSURANCES

**Pearl Trust Managers Ltd. (a)(g)**
252, High Holborn, WC1V 7EB. 01-405 8441

| | | | | |
|---|---|---|---|---|
| Pearl Growth Fd | 61.8 | 65 7 | | 3 48 |
| Accum Units | 91 3 | 97 1 | | 3 48 |
| Pearl Inc. | 86 4 | 91 9 | +0 3 | 5.16 |
| Pearl Unit Tst | 90 6 | 96 9 | +0 1 | 4.23 |
| (Accum. Units) | 153 3 | 163 1 | +0 2 | 4.23 |

**Perpetual Unit Trust Mngmt. (a)**
48, Hart Street, Henley on Thames. 0491 576868

| | | | | |
|---|---|---|---|---|
| Growth | 176.6 | 189 5 | -1.2 | 1.54 |
| Income | 134.8 | 144 4 | +0.3 | 5 45 |
| Worldwide Recovery | 100.3 | 107.7 | -0.6 | 2.15 |
| American Growth | 95.6 | 99.7 | -0 7 | 0 71 |
| Intl. Emerging Cos. | 57.4 | 61 6 | -0.2 | 0 78 |
| Far East Growth Fd. | 49.4 | 49.5 | -0.6 | 1.0 |

**Prolific Unit Trusts**
222, Bishopsgate, EC2. 01-247 7544/7

| | | | | |
|---|---|---|---|---|
| Prolific Far East | 97.3 | 104.2 | -1.3 | 0 33 |
| Prolific Extra Inc. | 60.5 | 64.5 | +0.2 | 6.48 |
| Prolific Gilt Cap. | 82.2 | 85.5 | +0.1 | 3 22 |
| Prolific High Inc. | 126.3 | 134.7 | +0.2 | 5.67 |
| Prolific Intl | 80.5 | 86.3 | -0.8 | 1 83 |
| Prolific N. Amer. | 114.5 | 122.7 | -0 1 | 2.56 |
| Prolific Spec. Sits. | 134.5 | 143.4 | +0.9 | 1.72 |
| Prolific Technology | 99.1 | 106.2 | -0.6 | 0.83 |

**Providence Capital Fd. Mgrs. Ltd.**
30 Uxbridge Road, London. W12 8PG 01-749 9111

| | | | | |
|---|---|---|---|---|
| Japan Trust | 47.5 | 50.3 | -0.3 | — |
| Worldwide | 46 9 | 49 7 | -0.4 | 2.86 |
| European Trust | 49.6 | 52.6 | -0.3 | 2.21 |
| North American | 47.4 | 50.7 | -0 7 | 2.09 |
| UK Equity | 48.9 | 51.8 | +0.1 | 4.09 |

**Prudential Unit Trust Mngrs Ltd. (a) (b) (c)**
51-59, Ilford Hill, Ilford, Essex, IG1 2DL 01-478 3377

| | | | | |
|---|---|---|---|---|
| Holborn Equity Tst. | 317.2 | 337 4 | +1.0 | 3 70 |
| Holborn Gilt Tst. | 154.2 | 161.1 | +1.0 | 8.29 |

**TSB Unit Trusts (b) (c) (y)**
PO Box 3 Keens Hse, Andover, Hants. SP10 1PG
0264 62188. Dealings to 0264 63432 3

| | | | | |
|---|---|---|---|---|
| TSB American | 90 1 | 95 9 | -1 3 | 1.52 |
| Do Accum. | 93 9 | 99 9 | -1.3 | 1 52 |
| TSB Extra Income | 83 1 | 88 9 | +0.2 | 6 47 |
| Do Accum | 92 5 | 98.5 | +0.2 | 6.47 |
| TSB General | 117 6 | 126 0 | +0 4 | 3 47 |
| Do. Accum. | 190 1 | 202.2 | +0 7 | 3 47 |
| TSB Gilt & Fxd Int | 47.2 | 49 2 | | 9 41 |
| Do Accum | 58.1 | 60 6 | +0 1 | 9 41 |
| TSB Income | 160 3 | 170.6 | +0 6 | 5.17 |
| Do. Accum. | 241 7 | 257.2 | +0.8 | 5.17 |
| TSB Pacific | 98.6 | 10 9 | -1 2 | 0.63 |
| Do. Accum. | 101.1 | 107.6 | -1.3 | 0.63 |
| TSB International | 221.4 | 235.6 | -2.2 | 1 91 |
| Do Accum. | 269 4 | 286 7 | -2 8 | 1 91 |
| Natural Resources | 44 7 | 47.6 | -0.3 | 2.11 |
| Do. Accum | 45 1 | 48.0 | -0.3 | 2.11 |
| TSB Sister Opps. | 45.7 | 48.7 | +0.1 | 2.58 |
| Do. Accum. | 49.2 | 52.4 | +0.2 | 2.58 |

**3i & Target Fund Mgrs Ltd**
Target House, Gatehouse Road, Aylesbury, Bucks
Aylesbury (0296) 5941

| | | | | |
|---|---|---|---|---|
| Small Co's Fund | 64 9 | 69 4 | -0.7 | 0.10 |

[illegible]

# INSURANCE, OVERSEAS & MONEY FUNDS

# OFFSHORE AND OVERSEAS

[illegible]

**World Fund S.A.**
2 Boulevard Royal, Luxembourg
World Fund NAV .. $11.55 — +0.37

**World Wide Growth Management**
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd $12.34 — -0.08
Inv. Adv. M & G Inv. Mngt. Ltd. London

**Yamaichi Dynamic Mngt Co SA**
10A Boulevard Royal, Luxembourg
Advanced Tech $N.27 +0.21
Dynamic Gwth Fd $8.31 — -0.05

## Money Market Trust Funds

| | Gross | Net | Eq. C.A.R. | Int. Cr. |
|---|---|---|---|---|
| **The Charities Deposit Fund** 77 London Wall London EC2N 1DB 01-588 1815 | | | | |
| Deposit | 11.55 | — | — | 3 Mth |
| **The Money Market Trust** 63 Qn Victoria St, EC4N 4ST 01-236 0952 | | | | |
| Call Fnd | 11.20 | 8.47 | 12.48 | Mth |
| 7-day Fnd | 11.63 | 8.69 | 12.83 | Mth |
| **Oppenheimer Money Management Ltd** 66 Cannon St, EC4N 6AE 01-236 1425 | | | | |
| Call Fnd | 11.27 | 8.45 | 12.19 | 6 Mth |
| 7-day Fund | 11.73 | 8.77 | 12.42 | 6 Mth |
| Dollar | 6.81 | | | 6 Mth |
| Money Mngt Acct | 11.125 | 8.31 | 12.42 | 3 Mth |

## Money Market Bank Accounts

| | Gross | Net | Eq. C.A.R. | Int. Cr. |
|---|---|---|---|---|
| **Adam & Co. plc** 22 Charlotte Sq. Edinburgh, EH2 4DF 031-225 8484 | | | | |
| Full Service Cur Acc. | 11.25 | 8.00 | 11.93 | Qtr |
| **Aitken Hume** 30 City Road, EC1Y 2AY 01-638 6070 | | | | |
| Treasury Acc. | 11.375 | 8.50 | 12.72 | Qtr |
| Mth. Int. Chq | 11.25 | 8.41 | 12.68 | Mth |
| **Bank of Scotland** 38 Threadneedle St. EC2P 2EH 01-628 8060 | | | | |
| Money Mkt Cheque Acc. | 11.00 | 8.22 | 12.18 | Mth |
| **Barclays Prime Account** PO Box 125, Northampton 0604 252891 | | | | |
| High Int. Cheque | 11.0 | 8.25 | 12.12 | Qtr |
| **Britannia Investment Services Ltd.** 29 Finsbury Circus, EC2M 5QL 01-588 2777 | | | | |
| Cater Allen | 11.13 | 8.32 | 11.71 | 3 Mth |
| **Charterhouse Japhet plc** 1 Paternoster Row, EC4M 7DH. 01-248 3999 | | | | |
| Sterling | 11.13 | 8.23 | 12.38 | Mth |
| U S Dollar | 7.25 | 7.25 | 7.50 | Mth |
| German Marks | 4.75 | 4.75 | 4.85 | Mth |
| Swiss francs | 1.50 | 1.50 | 1.51 | Mth |
| Japanese Yen | 5.00 | 5.00 | 5.12 | Mth |
| **Citibank Savings** St Martins Hse, Hammersmith Grove 01-748 9251 | | | | |
| Cheque Plus | — | 9.00 | 13.30 | Qtr |
| **Co-operative Bank Cheque & Save** 78-80 Cornhill EC3 01-626 6543 | | | | |
| £500-£2,500 | 9.50 | 7.10 | 10.41 | Qtr |
| £2,500 + | 12.00 | 8.97 | 13.26 | Qtr |
| **Dartington & Co Ltd** Dartington, Totnes, Devon TQ9 6JE 0803 862271 | | | | |
| Money Mkt Acc | 11.00 | 8.22 | 12.27 | Qtr |
| **Edward Manson & Co Ltd** 9 Henrietta Place W1M 9AG 01-631 3313 | | | | |
| Cheque Deposit Acc. | 11.50 | 8.59 | 12.98 | Mth |
| **Henderson/Bank of Scotland** 38 Threadneedle St EC2P 2EH 01-628 8060 | | | | |
| Money Mkt. Cheque Acc. | 11.0 | 8.22 | 12.18 | Mth |
| **Lloyds Bank PLC** 71 Lombard St, London, EC3P 3BS. 01-626 1500 | | | | |
| High Int Cheque | 11.25 | 8.25 | | Qtr |
| **Lombard North Central PLC** 17 Bruton St, W1A 3DH. 01-409 3434 | | | | |
| 14-Day Notice | 11.500 | 8.596 | 12.280 | — |
| **M & G/Kleinwort Benson** 91-99 New London Rd, Chelmsford 0245 51651 | | | | |
| H I C A | 11.125 | 8.31 | 12.35 | Daily |
| **Midland Bank plc** PO Box 2, Sheffield 0742 20999 Ext 8738 | | | | |
| High Int Chq | 10.70 | 8.00 | 11.92 | Qtr |
| **Provincial Trust (formerly Chanlartons)** 30 Ashley Rd, Altrincham, Cheshire 061 928 9011 | | | | |
| Cheque Acc | 11.50 | 8.60 | 12.00 | Mth |
| **Royal Bank of Scotland plc** 24 Lombard St, London EC3V 9BA 031-557 0201 | | | | |
| Premium Account | 11.0 | 8.22 | 12.27 | Qtr |
| **Save & Prosper/Robert Fleming** 28 Western Rd, Romford RM1 3LB. 0708 66966 | | | | |
| H I B A | 10.70 | 8.00 | 11.29 | Daily |
| **Tyndall & Co** 29-33 Princess Victoria St, Bristol 0272 732241 | | | | |
| Demand Acc | 11.25 | 8.41 | 12.56 | Qtr |
| Money Acc. | 11.37 | 8.50 | 12.70 | Qtr |
| **J. Henry Schroder Wagg & Co Ltd** Enterprise House, Portsmouth 0705 827733 | | | | |
| Special Acc. | 11.375 | 8.50 | 12.84 | Mth |
| Over £10,000 | 11.625 | 8.69 | 13.14 | Mth |
| **Western Trust & Savings Limited** The Moneycentre, Plymouth PL1 5SE 0752 24141 | | | | |
| High Int Chq Acc | 11.56 | 8.64 | 12.74 | Qtr |

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayer compounded annual rate. Int Cr: frequency interest credited.

### NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. [illegible]

## OPTIONS

### 3-month call rates

| | | | |
|---|---|---|---|
| Industrials | p | Marks & Spencer | 11 |
| Allied-Lyons | 16 | Midland Bk | 30 |
| BAT | 32 | NEI | 8 |
| BOC Grp | 25 | Nat West Bk | 60 |
| BSR | 16 | P & O Dfd | 36 |
| BTR | 52 | Plessey | 17 |
| Babcock | 14 | Polly Peck | 26 |
| Barclays | 48 | Racal Elect | 18 |
| Beecham | 32 | RHM | 11 |
| Blue Circle | 45 | Rank Org Ord | 32 |
| Boots | 15 | Reed Intnl | 50 |
| Bowaters | 20 | Sears | 8 |
| Brit Aerospace | 33 | TI | 20 |
| Brit. Telecom | 11 | Tesco | 20 |
| Brown (J.) | 3 | Thorn EMI | 35 |
| Burton Ord | 39 | Trust Houses | 13 |
| Cadburys | 14 | Turner Newall | 10 |
| Charter Cons | 18 | Unilever | 85 |
| Comm Union | 19 | Vickers | 19 |
| Courtaulds | 12½ | Property | |
| Debenhams | 17½ | Brit Land | 12 |
| Distillers | 28 | Cap Counties | 18 |
| FNFC | 8½ | Land Secs | 25 |
| Gen Accident | 45 | MEPC | 28 |
| Gen Electric | 17 | Peachey | 22 |
| Glaxo | 85 | Samuel Props | 14 |
| Grand Met | 25 | Oils | |
| GUS 'A' | 60 | Brit. Oil & Min | 4 |
| Guardian | 60 | Brit Petroleum | 42 |
| GKN | 17 | Burmah Oil | 18 |
| Hanson Tst | 17½ | Charterhall | 6 |
| Hawker Sidd | 38 | Premier | 5 |
| ICI | 60 | Shell | 60 |
| 'Imps' | 18 | Tricentrol | 18 |
| Jaguar | 28 | Ultramar | 19 |
| Ladbroke | 24 | Mines | |
| Legal & Gen | 50 | Cons Gold | 44 |
| Lex Service | 28 | Lonrho | 14 |
| Lloyds Bank | 45 | Rio T Zinc | 56 |
| Lucas Inds | 25 | | |

A selection of Options traded is given on the London Stock Exchange Report Page.

# COMMODITIES AND AGRICULTURE

## Malaysia may seek halt to rubber price support

BY WONG SULONG IN KUALA LUMPUR

MALAYSIA, the world's largest rubber producer is expected today to propose the suspension of buffer stock buying operations by the International Natural Rubber Organisation. This follows continued weakness in the rubber market which resulted in the price falling below the "must buy" level yesterday for the first time.

The price fall of 0.46 cents to 0.25 cents below the "must buy" level of 166 Malaysian/Singapore cents a kilo was brought about by traders anticipating an INRO decision to revise its intervention prices downwards.

However, the 33-nation INRO Council meeting, which opened yesterday in Kuala Lumpur decided to defer an automatic three per cent price cut until today, when delegates will review action to be taken now that the buffer stock manager has accumulated more than 320,000 tonnes of rubber.

Under the International Rubber Agreement, three courses of action can be taken once the stockpile exceeds 300,000 tonnes: a 3 per cent price cut, a slower rate of buying or suspension of buffer stock operations altogether.

"We would like INRO to review the present situation in a wider context, rather than focussing just on the price cut" said a member of the Malaysian delegation.

It is understood that Malaysia feels that continued buying by the buffer stock manager would not help to prop up prices because of speculative selling in anticipation of yet another price cut when the stockpile hits the 400,000 tonne mark.

Malaysia is believed to be encouraged by events in the tin market, where prices have firmed up rather than dropped since the International Tin Council gave its buffer stock manager the discretion to operate below the floor price.

While there is no provision in the rubber pact for its buffer stock manager to do likewise, the Malaysians are thought to feel that suspension of buffer stock buying would remove an element of predictability from the agreement which has up to now encouraged speculative short-selling.

Consumers, however, are likely to see the Malaysian proposal as a ploy aimed at getting them to defer the 3 per cent price reduction which they want, or to agree to a lesser cut.

They are unlikely to welcome discussions on a possible suspension of buffer stock buying, on the grounds that there is no precedent for such an action against a background of falling prices.

Yesterday's Inro session was devoted mainly to a discussion of how to finance an additional contingency stockpile of 150,000 tonnes which may be set up once the buffer stock exceeds 400,000 tonnes.

Delegates considered the feasibility of allowing Inro to borrow money from commercial banks to finance the stockpile and the legal implications of Inro using its assets as collateral. They also discussed how member governments might guarantee such loans.

There is a growing feeling among both producing and consuming members of the agreement that financing the bufferstock has become a heavy burden. Members have so far contributed Ringgit 700m (£206m) and will have to provide another Ringgit 195m following a sixth appeal for funds last week.

## Whaling ban angers Soviet Union

By Our Commodities Staff

THE SOVIET Union has attacked the International Whaling Commission's ban on commercial whaling, which takes effect later this year, claiming it was motivated by political considerations.

Mr Ivan Nikonorov said the ban was "incorrect and scientifically unfounded." The opinion of the Commission's scientific committee was not taken into account, he said.

At last month's IWC meeting in Bournemouth Mr Nikonorov said the Soviet Union would halt commercial whaling in the Antarctic for the 1987-88 season for "technical reasons." It has formally objected to the IWC ban, along with Japan and Norway, so will not be bound by it.

● INDIA has scrapped its minimum export price for packet tea following the abolition of the bulk tea minimum at the weekend, writes P. C. Mahanti in Calcutta.

## Financial futures steal the show

THE PACE of change is quickening in Chicago's important futures markets, as depression in U.S. agriculture spreads to the exchanges. It reflects a shift far more fundamental than the passing effects of bumper crops, export restrictions or unusually good weather.

At the Chicago Board of Trade in July, trading volume in soyabeans, maize and wheat was between 22 and 30 per cent lower than in the same month of last year.

Financial futures, on the other hand, are booming. According to the Commodity Futures Trading Commission's 1984 annual report, volume in financial contracts has risen from little more than 600,000 in 1977 to a staggering 51m last year—slightly more than a third of the total 148.8m contracts traded on all 13 U.S. exchanges.

In fact, nearly half the financial futures volume on the Chicago Board of Trade is in U.S. treasury bonds. If the bond market were on its own exchange, it would be the third largest single futures market in the country.

Financial futures now comprise 68 per cent of total trading at the Board, while at the Chicago Mercantile Exchange, they represent about 90 per cent of total volume.

The decline in agricultural futures can be partly explained by business trends which have been developing for years: overproduction, sagging farm profits, small farm foreclosures and, in turn, the concentration of productive capacity into highly efficient agribusiness conglomerates.

These trends have, for the moment at least, eliminated the so-called "sufficient scarcity" on which agricultural futures markets feed.

The inflationary spiral of the 1970s, along with prospects of continued large Western grain exports to the Soviet Union, raised hopes of higher agricultural commodity prices, allowing farmers to borrow to enlarge their productive capacity.

Farm debt rose from $50bn in 1970 to $216bn in 1983, while service on that debt consumed over 90 per cent of total farm income in 1983-84. Land values, having more than doubled from 1970 to 1981, have dropped by more than a third since then.

Other factors that changed the tone of the grain market rapidly were the Federal Reserve's restrictive monetary policy introduced in 1979, the Reagan Administration's tax cuts, ballooning budget deficits and high real rates of interest. The spiral in agricultural prices was crushed, along with many farmer's livelihoods.

Although financial futures have rapidly displaced the agricultural markets in volume, the growth has not brought new wealth to the commodity brokerage industry, for several reasons.

First, the deregulation of futures commission rates for brokers in 1975 made the business progressively less profitable for full-service brokers.

Secondly, the volume in the financial futures has not come from the individual "retail" speculators—who probably total no more than 200,000 in the U.S.—but from major investment banks, broker-dealers, commercial banks, and money managers.

Thirdly, many of the commodity brokers do not have sufficient capital or technical capabilities to handle the large institutional customers and must forego their business.

So the ranks of brokers have thinned since the beginning of the year, with nearly 35 going out of business by either bankruptcy or merger. Those that remain are for the most part bleeding slowly from the continued squeeze on commissions.

According to a recent Futures Industry Association survey, the average futures-only broker collected $14.20 on each contract traded, while costs averaged only 10 cents less. Prior to the last decade commissions for Chicago Board of Trade members were $15 per round turn, $30 for non-members.

Since that time, average commission levels have dropped 10 to 25 per cent, while fixed costs have probably more than doubled, despite the fact that financial futures represent more than half of all brokerage business on 10 times as much volume since 1972.

If there is any hope for a resurgence of volatility in the agricultural markets it is not in the foreseeable future, given the bumper crops and filled storage bins throughout the midwest.

Increased crop forecasts issued by the U.S. Department of Agriculture on Monday will do nothing to eliven the sagging agricultural futures markets.

Our Chicago correspondent begins a series on the changing face of the futures industry


## Economist attacks tin pact

BY ANDREW GOWERS

A SENIOR West German official has launched a scathing attack on the International Tin Agreement, timed to coincide with preparations for a new pact which should come into force in 1987.

The critique comes in an article written for one of the country's five leading economic research institutes by Dr Guenter Behrendt, head of the Bonn economics ministry's non-ferrous metals division.

Dr Behrendt concludes that the present sixth ITA, which expires on June 30, 1987, is under severe strain, which will only be eased by a substantial reduction in official prices.

"It does not seem to make sense to consider any new ITA until it is certain that the sixth agreement can last out its life under orderly conditions," he writes.

The article describes how price support under the last two ITA's has kept production out of line with consumption and encouraged producers outside the agreement to boost their own output at the expense of members. Dr Behrendt belives the latter trend can only continue unless prices are reduced.

He writes that since the end of 1981 ITA producing countries have had to cut their output by 1,500 tonnes for every fall of 1,000 tonnes in world creasing market share of non-production, owing to the in-members.

Although Dr Behrendt concedes that production and consumption have been roughly in balance since the beginning of 1985, he cautions against taking this as a sign that the ITA is about to return to good health.

"To take this view would be to overlook the instability of this "equilibrium" and how great a price has had to be paid to attain it.

"As more market share is lost, the pressure on ITA producing countries will increase. Every single tonne of tin produced by outsider countries and not taken up by the market must be taken into the ITA buffer stock if the BSM (buffer stock manager) wishes to maintain the existing price level."

However, he stops short of calling for a suspension of the ITA to correct present market disorder, on the grounds that an uncontrolled price reduction would cause excessive harm to the international tin industry.

## WEEKLY METALS

All prices as supplied by Metal Bulletin:

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse, 2,730-2,790.

BISMUTH: European free market, minimum 99.99 per cent, $ per lb, tonne lots in warehouse, 4.00-4.20.

CADMIUM: European free market, minimum 99.95 per cent, $ per lb, in warehouse, ingots 0.75-0.80, sticks 0.83-0.88.

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 11.37-11.50.

MERCURY: European free market, minimum 99.99 per cent, $ per flask, in warehouse, 288-295.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.20-3.25.

SELENIUM: European free market, minimum 99.5 per cent, $ per lb, in warehouse, 7.10-7.50.

TUNGSTEN ORE: European free market, standard minimum, 65 per cent, $ per tonne unit $WO_3$, cif, 64-70.

VANADIUM: European free market, minimum 98 per cent, $V_2O_5$, other sources, $ per lb, $V_2O_5$, cif, 2.15-2.25.

URANIUM: Nuexco exchange value, $ per lb, $U_3O_8$, 15.00.

## Market fall likely on raised harvest estimates

BY OUR CHICAGO CORRESPONDENT

FORECASTS OF record world grain production and bountiful U.S. crops by the U.S. Department of Agriculture left the Chicago agricultural markets undaunted yesterday.

But despite surprisingly firm prices for some commodities in morning trading, analysts were almost unanimous in a bearish interpretation of the USDA figures, released on Monday. These projected the soyabean, maize and wheat crops at 1.95bn, 8.26bn and 2.37bn bushels respectively, and marked a significant upward revision of harvest estimates made only a week before.

Most analysts took this, coupled with continuing forecasts of increased production in a number of other countries, as an indication that prices—which have been dropping steadily for weeks—were set for a further battering.

## Declining exports hit U.S. grain handling industry

FALLING U.S. agricultural exports are raising new concerns among American farmers about the health of the grain handling industry.

The industry's tremendous capacity makes it the most cost-efficient in the world, according to Mr Marshall Faith, an official of the National Grain and Feed Association.

Writing in the Wheatgrower Magazine, Mr Faith, also president of the Scoular Company of Omaha, said that the U.S. marketing infrastructure which moves grain is now operating at less than 50 per cent of its capacity. Operations of many facilities are being phased down. Some grain elevators are closing altogether and companies are merging or taking other extreme measures to survive.

Transportation and handling costs increase as volume declines, he said. "If volume continues to decline because of weak demand, we could see a 50 per cent increase in marketing costs.

## LONDON MARKETS

EARLY CURRENCY-related losses on the London coffee futures market were trimmed back yesterday afternoon after sterling turned downwards and the New York market opened steadier than expected. The November position, which dipped to £1,657 a tonne at one point, closed £15 down on the day at £1,675.50 a tonne.

On the cocoa market morning losses were extended in the afternoon and the December position ended £18 lower at £1,709.50 a tonne. The late fall was linked to generally lower New York prices, dealers said.

The sugar futures market rose on currencies and was also aided by reports that India bought over 300,000 week.

LME prices supplied by Amalgamated Metal Trading

### MAIN PRICE CHANGES

In tonnes unless otherwise stated.

| METALS | Aug 13 1985 | + or — | Month ago |
|---|---|---|---|
| Aluminium | £1100 | | £1100 |
| Free Mkt. | $1050/70 | —5 | $1050/80 |
| Copper | | | |
| Cash h Grade | £1010 | —11 | £1049.5 |
| 3 mths | £1034.25 | —11.75 | £1067.25 |
| Gold Troy oz | $326.25 | +8.25 | $319.75 |
| Lead Cash | £308.5 | +7.75 | £289.5 |
| 3 mths | £301.5 | +2.75 | £293.75 |
| Nickel | | | |
| Free Mkt. | 228/245c | +3.5 | 229/258c |
| Palladium oz | $101.90 | +1.8 | $94.00 |
| Platinum oz | $292.25 | +1.1 | $270.50 |
| Quicksilver† | $290/300 | | $285 595 |
| Silver troy oz | 452.60p | —1.90 | 438.55p |
| 3 months | 464.95p | —2.10 | 451.15p |
| Tin cash | £9142.5 | —38 | £9122.5 |
| 3 months | £9105.5 | —45 | £9120.5 |
| Tungsten | $71.85 | | $72.75 |
| Wolfram 22.04lb | $65/70 | | $58/62 |
| Zinc | £531 | —5 | £534 |
| 3 months | £530.5 | —9.5 | £527 |
| Producers | $830 | | $830 |

### ALUMINIUM

| | Unofficial close (p.m.) £ per tonne | + or — | High/low |
|---|---|---|---|
| Cash | 729-731 | —6.5 | — |
| 3 months | 752-.5 | —6.5 | 756/749.50 |

Official closing (am): Cash 727.5-8 (738-9), three months 749.5-50 (761-1.5), settlement 728 (739). Final kerb close: 756-7. Turnover: 18,125 tonnes.

### TIN

| High grade | Unofficial close (p.m.) £ per tonne | + or — | High/low for day |
|---|---|---|---|
| Cash | 9140-5 | —35.0 | — |
| 3 months | 9110-5 | —45.0 | — |

Official closing (am): Cash 9144-5 (9178-82), three months 9110-5 (9150-3), settlement 9145 (9182).

| Standard | | | |
|---|---|---|---|
| Cash | 9140-5 | —35.0 | 9145/9142 |

### COFFEE

During a fairly active morning steadier sterling prompted losses of £21-£33, reports Drexel Burnham Lambert. Dealer buying encouraged a gradual recovery and daily highs were posted at the close before light profit-taking and commission house selling influenced a slight retracement.

| COFFEE | Yesterday's Close | + or — | Business Done |
|---|---|---|---|
| Sept. | 1638-40 | —5.0 | 1642-22 |
| Nov. | 1675-76 | —15.0 | 1663-57 |
| Jan. | 1712-20 | —12.5 | 1725-98 |
| March | 1746-50 | —6.0 | 1765-29 |
| May | 1762-68 | —6.0 | 1776-57 |
| July | 1790-95 | — | 1800-74 |
| Sept. | 1800-25 | +2.5 | — |

Sales: 3,510 (2,058) lots of 5 tonnes.

ICO indicator prices (U.S. cents per pound) for August 12: Comp daily 1979 118.82 (119.09); 15-day average 117.37 (117.33).

### SUGAR

LONDON DAILY PRICE—Raw sugar $125.00 (£89.50), up $7.00. White sugar $162.50, up $6.50.

| No. 6 Contract | Yest'day's close | Previous close | Business done |
|---|---|---|---|
| | $ per tonne | | |
| Oct | 126.0-127.0 | 124.0-124.2 | 128.4-124.8 |
| Dec | 150.8-151.0 | 128.8-128.4 | 132.6-128.2 |
| Mar | 138.8-140.2 | 137.8-138.0 | 142.4-138.8 |
| May | 142.4-143.8 | 140.6-140.8 | 145.0-143.8 |
| Aug | 147.0-148.0 | 144.4-146.0 | 149.0-147.5 |
| Oct | 151.4-152.0 | 149.6-151.0 | 155.8 |

Sales: 2,496 (2,213) lots of 50 tonnes.

Tate & Lyle delivery price for granulated basis sugar was £194.00 (£191.00) a tonne for export.

International Sugar Agreement—(U.S. cents per pound fob and stowed Caribbean ports.) Prices for August 12: Daily price 4.24 (4.32); 15-day average 4.21 (4.16).

### SOYABEAN MEAL

The market opened £1.00 down on stronger sterling, reports T. G. Roddick. Prices drifted further on commission house selling before steadying on late trade buying.

| | Yesterday close | + or — | Business Done |
|---|---|---|---|
| | £ per tonne | | |
| August | — | — | — |
| October | 115.0-115.5 | —0.75 | 113.5-112.5 |
| Dec. | 115.8-116.2 | —1.10 | 116.8-11 .0 |
| Feb. | 120.0-121.0 | —1.15 | 120.8 |
| Apr. | 121.0-122.5 | —1.75 | — |
| June | 121.5-123.0 | —1.00 | — |
| August | 122.5-125.5 | —1.25 | — |

Sales: 354 (155) lots of 20 tonnes.

### RUBBER

The London physical market opened unchanged, found no buffer stock buying interest and closed quiet, reports Lewis and Peat. Closing prices (buyers): spot 62.50p (63.00p); Sept 58.50p (60.00p); Oct 58.50p (60.00p). The Kuala Lumpur fob price for RSS No 1 was 186.0 (same) cents a kg and for SMR 20 was 154.0 (155.0).

### OIL

A rally in Brent late on Monday in the U.S. was followed by some price erosion during London trade. In the petroleum products market gas oil in North-West Europe fell in reaction to Monday's high levels, while on the Mediterranean it continued to firm on tight supply and some demand. Continued demand for power generation in North-West Europe and the Mediterranean firmed fuel oil prices—Petroleum Argus, London.

SPOT PRICES

| | Latest | Change + or — |
|---|---|---|
| CRUDE OIL—FOB ($ per barrel)—Sept. | | |
| Arab Light | 27.3-27.455 | +0.05 |
| Arab Heavy | 25.15-25.25 | — |
| Dubai | 28.18-28.28 | +0.075 |
| Brent Blend | 28.85-28.95 | +0.15 |
| W.T.I. (1pm est) | 27.45-27.55 | — |
| Forcados (Nigeria) | 27.15-27.25 | +0.05 |
| Urals (cif NWE) | 26.20-26.50* | +0.15 |
| PRODUCTS—North West Europe Prompt delivery cif ($ per tonne) | | |
| Premium gasoline | 269-271 | — |
| Gas Oil | 234-235 | —3 |
| Heavy fuel oil | 137-139 | — |
| Naphtha | 242-244 | —3 |

* August.

Petroleum Argus estimates

GAS OIL FUTURES

| Month | Yest'day's Close | + or — | Business Done |
|---|---|---|---|
| | $ U.S. per tonne | | |
| Aug | | | |
| Sep | 231.50 | —1.50 | 234.00-29.50 |
| Oct | 229.25 | —0.50 | 231.00-23.75 |
| Nov | 229.00 | —0.50 | 230.50-26.75 |
| Dec | 229.00 | —0.25 | 230.00-28.00 |
| Jan | 227.50 | +0.50 | 227.50-25.50 |

Turnover: 1,823 (2,442) lots of 100 tonnes.

### PIGMEAT

Firm physicals continued to influence futures but buyers appeared to be resisting further increases, reports CCST Commodities.

| Month | Yesterdays close | Previous close | Business done |
|---|---|---|---|
| | p. per kilo (deadweight) | | |
| Oct. | 112.10 | 111.80 | 112.3-112.0 |
| Nov. | 112.40 | 112.80 | 112.7-112.5 |
| Feb. | 101.40 | 101.30 | 101.8-101.4 |
| April | 101.40 | 101.30 | 101.5 |
| June | 101.20 | 101.30 | — |
| Aug. | 100.50 | 100.60 | — |

Sales: 62 (42) lots of 50 carcases, 3,250 kg.

### POTATOES

The PMB announced that the latest census indicates that the 1985 total planted area is 163,255 hectares, compared with the 1984 figure of 167,380 hectares. As this was in line with expectations there was little reaction in futures. The market briefly traded higher upon opening, but quickly fell back to unchanged where it remained until the close when selling pressure trimmed values slightly, reports Coley and Harper.

| Month | Yesterday's close | Previous close | Business Done |
|---|---|---|---|
| | £ per tonne | | |
| Nov. | 56.90 | 56.80 | 57.20 |
| Feb. | 63.30 | 64.00 | — |
| Apr. | 74.00 | 74.20 | 74.30-73.90 |
| May | 79.30 | 79.60 | 80.00-79.70 |

Sales: 108 (117) lots of 40 tonnes.

### FREIGHT FUTURES

Levels held steady during a quiet morning but afternoon values slipped in the face of fresh selling into a light volume of short-covering interest, reports Clarkson Wolff. The Baltic Freight Index was 717.5, up 0.5 points.

| | Close | High/Low | Prev |
|---|---|---|---|
| Oct. | 816/818 | 830/818 | 833.5/834 |
| Jan. | 894/897 | 895/891 | 900/903 |
| April | 934/940 | — | 946/951 |
| July | 870/900 | — | 873.905 |
| Oct. | 920/975 | — | 940/980 |
| Jan. | 990/1000 | — | 920/1005 |
| April | 980/1060 | — | 1000/1050 |
| July | 920/990 | — | 975/1000 |

Turnover: 70 (59).

## U.S. MARKETS

PRECIOUS METALS were generally steady as gold continued to benefit from indications of further deterioration in the situation in South Africa along with continuing pressures on the dollar, reports Heinold Commodities. Copper firmed on sympathetic buying with precious meals. Aluminium weakened reflecting a lack of speculative interest. Sugar benefitted from reports of fresh purchases by India. Coffee showed modest gains in response to a slight pick-up in roaster interest. Heating oil traded about unchanged on continued tightness of spot supplies: short-covering has been the strongest support as the long-term outlook is for eroding prices. The bearish government crop report pushed maize and soyabeans lower.

### NEW YORK

ALUMINIUM 40,000 lb, cents/lb

| | Close | High | Low | Prev |
|---|---|---|---|---|
| August | 44.95 | — | — | 45.15 |
| Sept | 45.15 | 45.45 | 45.20 | 45.35 |
| Oct | 45.50 | — | — | 45.65 |
| Dec | 46.20 | 46.45 | 46.20 | 46.35 |
| Jan | 46.55 | — | — | 46.70 |
| March | 47.25 | 47.45 | 47.40 | 47.35 |
| May | 47.95 | — | — | 48.05 |
| July | 48.65 | — | — | 48.75 |

per pound. Handy and Harman silver bullion 628.0 (628.0) cents per troy ounce.

## OTHER MARKETS

### MEAT

SMITHFIELD—Pence per pound. Beef—Scotch killed sides 77.0 to 82.0; English forequarters 55.5 to 57.5; Ulster hindquarters 86.0 to 92.0. Veal—Dutch hinds and ends 139.0 to 144.0. Lamb—English small 72.0 to 78.0, medium 69.0 to 74.0, heavy 68.0 to 70.0; Scotch heavy 66.0 to 69.0; Imported: New Zealand PL 64.5 to 65.5, PX 64.5 to 65.5. Pork—English under 100 lb 50.0 to 56.5, 100-120 lb 49.5 to 56.0, 120-160lb 44.0 to 50.0.

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 95.89p per kg lw (+0.68). GB—Sheep 168.84p per kg est dcw (+4.44). GB—Pigs 78.73p per kg lw (+1.91).

### ROTTERDAM

WHEAT—(U.S. $ per tonne): U.S. 2 red winter: Sep 129, Oct 132, Nov 135.50, Dec 136.50. U.S. northern spring 14 per cent protein Aug 149.50, Sept 147, Oct 148.75, Nov 151. U.S. northern spring 15 per cent protein: Aug 157.25, Sept 157.25, Oct 160, Nov 162. U.S. 3 hard amber durum: Aug 154, Sept 154, Oct 158, Nov 163. Canadian 1 western red spring 13.5 per cent protein: Sept 156, Oct 160. Canadian 1 western amber durum: Sept 172, Oct 174 mid-Nov/mid-Dec 178, Apl/May 178.

MAIZE—(U.S. $ per tonne): U.S. 3 yellow: Afloat 120, Aug 114, Sept 111, Oct 111, Oct/Dec 110, Jan/Mar 112, Apl/June 113. Argentine Plate, afloat 130, Mid-Aug/mid-Sep 129, Sep 128, Apl/June 116.

### WOOL FUTURES

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. Oct 610.0, 615.0, 611.0; Dec 615.0, 620.0, 616.0; March 621.0, 625.0, 623.0; May 630.0, 638.0, 630.0; July 633.0, 638.0, nil; Oct 630.0, 638.0 nil; Dec 635.0, 640.0, nil; March 637.0, 642.0, 639.0. Sales: 17.

### COTTON

LIVERPOOL — Spot and shipment sales amounted to 104 tonnes. Fair trading developed mostly in Middle Eastern varieties.

# CURRENCIES, MONEY and CAPITAL MARKETS

## FOREIGN EXCHANGES

# Dollar eases in nervous trading

The dollar lost ground in currency markets yesterday but managed to hold above important chart levels. The market had expected dollar sales to accelerate once the U.S. unit had broken through a level of DM 2.7800 against tee D-mark. Early trading tended to confirm this view as the dollar continued to ease after overnight losses in New York.

However there was a small recovery after the start of U.S. trading although the afternoon in London was witness to rather erratic and thin conditions, following the release of U.S. retail sales figures. The latter showed a rise of 0.4 per cent in July but were set against a revised June figure registering a fall of 1.4 per cent from a previous fall of 0.8 per cent. Federal funds were relatively high although the Federal authorities later intervened to add reserves. Against this background the dollar retained its bearish undertone.

The dollar closed at DM 2.7840 down from DM 2.7975 on Monday. It touched a low of DM 2.7675. Against the Swiss franc it slipped to SwFr 2.2975 from SwFr 2.3040 and FFr 8.51 from FFr 8.5525. It was steadier against the yen however at Y237.25 from Y237.20. On Bank of England figures, the dollar's exchange rate index fell from 137.1 to 136.5.

STERLING — Trading range against the dollar in 1985 is 1.4290 to 1.0525. July aveage 1.3783. Exchange rate index rose to 82.0 from 81.5, having touched a best level of 82.3 in the early afternoon. The six months ago figure was 78.9.

The pound benefited from the dollar's weaker trend and showed a small improvement against many European currencies. It appeared to be much more resilient to recent speculation over oil prices although the possibility of further cuts in UK interest rates tended to limit the extent of any firmer trend.

The pound rose to a best level of $1.4020 before closing at $1.3890-1.3900, a rise of 60 points. Against the D-mark it improved to DM 3.8750 from DM 3.8875 and SwFr 3.20 from SwFr 3.1850. It was also higher against the French franc at FFr 11.84 from FFr 11.82 and Y330.25 from Y328.0.

D-MARK — Trading range against the dollar in 1985 is 3.4510 to 2.7840. July average 2.9134. Exchange rate index 126.7 against 119.0 six months ago.

The dollar fell to its lowest level since June 1984 in Frankfurt yesterday. It was fixed at DM 2.7736 down from DM 2.7984 on Monday and there was no intervention by the Bundesbank. A loss of confidence amid fears of a sluggish U.S. economy saw the dollar fall to a low of DM 2.7675 during the morning before recovering later in the day. July retail sales data showed a 0.4 per cent rise while the previous month was revised down to a fall of 1.4 per cent from 0.8 per cent. Dealers were also awaiting further U.S. economic data and tomorrow's meeting of the Bundesbank central council. There is some speculation that the authorities may take the opportunity to cut the discount rate.

### STERLING INDEX

| | Aug 12 | Previous |
|---|---|---|
| 8.30 am | 81.9 | 81.3 |
| 9.00 am | 81.9 | 81.2 |
| 10.00 am | 82.0 | 81.1 |
| 11.00 am | 82.2 | 81.5 |
| Noon | 82.2 | 81.5 |
| 1.00 pm | 82.3 | 81.7 |
| 2.00 pm | 82.1 | 81.7 |
| 3.00 pm | 81.9 | 81.5 |
| 4.00 pm | 82.0 | 81.5 |

### £ IN NEW YORK

| | Aug. 13 | Prev. close |
|---|---|---|
| £ Spot | $1.3875-1.3885 | $1.3945-1.3955 |
| 1 month | 0.45-0.43pm | 0.45-0.44 pm |
| 3 months | [illegible] | [illegible] |
| 12 months | [illegible] | [illegible] |

Forward premiums and discounts apply to the U.S. dollar

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu central rates | Currency amounts against Ecu August 13 | % change from central rate | % change adjusted for divergence | Divergence limit % |
|---|---|---|---|---|---|
| Belgian Franc ... | 44.8320 | 45.0672 | +0.52 | +0.89 | ±1.5447 |
| Danish Krone ... | 8.12857 | 8.05969 | −0.86 | −0.49 | ±1.6421 |
| German D-mark | 2.23840 | 2.22677 | −0.52 | −0.15 | ±1.1465 |
| French Franc ... | 6.86402 | 6.80935 | −0.80 | −0.43 | ±1.3654 |
| Dutch Guilder... | 2.52208 | 2.50369 | −0.73 | −0.36 | ±1.5162 |
| Irish Punt ...... | 0.724578 | 0.713951 | −1.47 | −1.10 | ±1.6673 |
| Italian Lira ...... | 1520.60 | 1495.17 | −1.67 | −1.67 | ±4.0856 |

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

### POUND SPOT—FORWARD AGAINST POUND

| August 13 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| U.S. | 1.3850-1.4020 | 1.3890-1.3900 | 0.46-0.43c pm | 3.84 | 1.12-1.07pm | 3.15 |
| Canada | 1.8848-1.8994 | 1.8848-1.8878 | 0.48-0.38c pm | 2.74 | 1.06-0.91pm | 2.09 |
| Nethlnd. | 4.34½-4.36½ | 4.35-4.36 | 2⅛-2c pm | 5.68 | 5⅞-5½pm | 5.17 |
| Belgium | 78.16-78.54 | 78.20-78.30 | 17-5c pm | 1.75 | 34-17pm | 1.30 |
| Denmark | 13.98-14.06⅝ | 14.05½-14.06½ | 4-3ore pm | 2.99 | 9⅞-8⅝pm | 2.65 |
| Ireland | 1.2376-1.2463 | 1.2407-1.2417 | 0.18-0.06p pm | 1.16 | 0.40-0.23pm | 1.02 |
| W. Ger. | 3.86⅝-3.88⅝ | 3.87-3.88 | 2⅛-2⅛pf pm | 7.16 | 6½-6⅛pm | 6.58 |
| Portugal | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## FINANCIAL FUTURES

# Prices fall

Prices fell on the London International Financial Futures Exchange yesterday, reflecting uncertainty about economic trends in the U.S., while sterling-denominated contracts were also influenced by sterling's performance against the dollar and changes in the gilt cash market. Dealers commented that U.S. bond and Eurodollar futures were weak ahead of yesterday's U.S. economic data on profit-taking, but that both contracts tried to rally without success on the downward revision of June retail sales, to a fall of 1.4 per cent from 0.8 per cent. The July rise of 0.4 per cent was above most forecasts, however, and coupled with a high Federal funds rate of over 8 per cent, sent September bonds and Eurodollars down to close near the day's lows.

Short sterling opened firm, and reached its peak, boosted by the rise of the pound above $1.40 on the foreign exchanges. Profit-taking, and sterling's fall against the dollar, after publication of the U.S. retail sales figures, left the September contract closing almost at the day's low. Monday's announcement by the UK authorities of a long tap stock overhung the gilt futures market.

### LONDON

THREE-MONTH EURODOLLAR
£1m points of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Sept | 91.87 | 91.97 | 91.85 | 91.98 |
| Dec | 91.47 | 91.59 | 91.45 | 91.60 |
| March | 91.05 | 91.15 | 91.05 | 91.20 |
| June | 90.67 | 90.78 | 90.70 | 90.82 |
| Sept | 90.31 | 90.41 | 90.40 | 90.46 |

Estimated volume 5,349 (5,229)
Previous day's open int 20,554 (20,224)

U.S. TREASURY BONDS
8% $100,000 32nds of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Sept | 75-25 | 76-14 | 75-21 | 76-14 |
| Dec | 74-23 | 75-07 | 74-23 | 75-12 |
| March | 73-23 | — | — | 74-12 |

Estimated volume 2,134 (2,116)
Previous day's open int 2,861 (2,994)

### CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

| | Latest | High | Low | Prev |
|---|---|---|---|---|
| Sept | [illegible] | [illegible] | [illegible] | 76-12 |
| Dec | [illegible] | [illegible] | [illegible] | 75-09 |
| March | [illegible] | [illegible] | [illegible] | 74-09 |
| June | [illegible] | [illegible] | [illegible] | 73-11 |
| Sept | [illegible] | [illegible] | [illegible] | 72-16 |
| Dec | [illegible] | [illegible] | [illegible] | 71-23 |
| March | [illegible] | [illegible] | [illegible] | 71-00 |
| June | [illegible] | [illegible] | [illegible] | 70-11 |

FT-SE 100 INDEX
£25 per full index point

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Sept | 128.25 | 129.45 | 128.20 | 128.85 |
| Dec | 128.70 | 129.00 | 129.00 | 129.30 |

Estimated volume 88 (70)
Previous day's open int 1,452 (1,462)

GNMA (CBT) 8% $100,000 32nds of 100%

| | Latest | High | Low | Prev |
|---|---|---|---|---|
| Sept | 74-21 | 74-25 | 74-16 | 75-06 |
| Dec | 74-02 | 74-08 | 73-28 | 74-19 |
| March | — | — | — | 73-28 |
| June | — | — | — | 73-09 |
| Sept | — | — | — | 72-24 |

### EURO-CURRENCY INTEREST RATES (Market closing rates)

| Aug. 13 | Sterling | U.S. Dollar | Canadian Dollar | Dutch Guilder | Swiss Franc | D-mark | French Franc | Italian Lira | Belgian Franc Conv. | Belgian Franc Fin. | Yen | Danish Krone |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Short-term | 11¾-11⅞ | 8-8⅛ | 8⅛-8⅝ | 6¼-6⅜ | 3⅝-3⅝ | 4⅜-4½ | 9½-9¾ | 5 8 | 7⅝-8⅛ | 8-8¼ | 6⅛-6⅞ | 9 9½ |
| 7 days' notice | 11⅝ 11¾ | 7⅞-7⅞ | 8½-8¾ | 6⅜-6⅞ | 2¼-2½ | 4⅜-4⅛ | 10-10¼ | 13¼-16¼ | 8¼-9¼ | 8½-8¾ | 6¼-6⅞ | 9-9½ |
| Month | 11⅝ 11⅞ | 7⅞ 8 | 8⅝ 8⅞ | 6-6⅛ | 4⅜-4½ | 4⅞ 4⅞ | 11⅛-11⅝ | 12¼-13¾ | 9⅛-9¾ | 9 9¼ | 6¼-6⅞ | 8⅝-9⅛ |
| Three months | 11⅞-11⅞ | 8-8⅛ | 8⅞ 9⅛ | 5⅞-6 | 4⅝ 4¾ | 4⅝-4¾ | 12¼-12⅝ | 13⅝-14⅛ | 9⅛ 10 | 9⅛-9¾ | 6⅛-6⅜ | 8¾ 9¼ |
| Six months | 11⅛-11⅞ | 8⅞ 8⅞ | 9¼-9⅝ | 5⅞-6 | 4¾-4⅞ | 4¾ 4⅞ | 12⅜-12½ | 13½ 14¼ | 9¾-10⅛ | 9⅝-9⅞ | 6¼-6⅝ | 8¾-9¼ |
| One year | 10⅞-11 | 8⅞ 8⅞ | 9½ 9¾ | 5⅞-6 | 4½-4½ | 4⅞ 5 | 12¼-12½ | 13¾-14⅝ | 9⅞-10¼ | 9¾-10 | 6¼-6⅝ | 9½-9⅝ |

Asian $ (closing rates in Singapore): Short-term 7[11/16]-7[15/16] per cent; seven days 7[11/16]-7[15/16] per cent; one month 7⅞-8 per cent; three months 8-8⅛ per cent; six months 8[3/16]-8[5/16] per cent; one year 8½-8⅝ per cent. Long-term Eurodollars: two years 9⅝-9⅞ per cent; three years 10-10¼ per cent; four years 10¼-10½ per cent; five years 10½-10¾ per cent nominal. Short-term rates are call for U.S. dollar and Japanese yen; others two days' notice.

## MONEY MARKETS

# Bank does not encourage lower rates

Interest rates moved nervously on the London money market yesterday, with dealers once again beginning to think in terms of lower clearing bank base rates. Sterling's recent recovery against the dollar has encouraged hopes of rate cuts, but the better performance by the U.S. currency yesterday afternoon, after better than expected July retail sales figures, prompted caution. The Bank of England bought very few bills from the market in the morning, but after declining to lower its dealing rates or provide an attractive repurchase agreement, found the discount houses more willing sellers of paper after lunch.

> UK clearing banks base-lending rate 11½ per cent since July 30.

Three-month interbank finished unchanged at 11⅝-11½ per cent, while discount houses buying rates for three-month bank bills declined to 10[15/16] per cent from 10[31/32] per cent.

The Bank of England initially forecast a market shortage of £700m, but changed this to £750m at noon, and to £800m in the afternoon.

Total help provided during the day was £652m, mainly through outright purchases of £537m, with the remainder supplied through late assistance.

Before lunch the authorities bought £58m bills outright, by way of £18m local authority bills in band 1 (up to 14 days maturity) at 11⅝ per cent; £10m bank bills in band 1 at 11⅝ per cent; £20m bank bills in band 2 (15-33 days) at 11[9/16] per cent; and £10m bank bills in band 3 (34-63 days) at 11½ per cent.

After lunch the Bank of England gave further help of £479m, by purchasing £5m bank bills in band 1 at 11⅝ per cent; £205m bank bills in band 2 at 11[9/16] per cent; £20m Treasury bills in band 3 at 11½ per cent; £223m bank bills in band 3 at 11½ per cent; £6m local authority bills in band 4 (64-91 days) at 11[7/16] per cent; and £20m bank bills in band 4 at 11[7/16] per cent.

Late assistance amounted to £115m.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £387m, with the unwinding of repurchase agreements absorbing £323m; Exchequer transactions £50m; and bank balances below target another £25m.

These outweighed a fall in the note circulation adding £65m to liquidity.

### MONEY RATES

| Aug. 13 | Frankfurt | Paris | Zurich | Amst'dam | Tokyo | Milan | Brussels | Dublin |
|---|---|---|---|---|---|---|---|---|
| Overnight | 4.7-4.8 | 9¾ | 2⅝-2⅞ | 6¼-6⅝ | 6.15625 | 14⅜-14¾ | 8.90 | 11¼-11½ |
| One Month | 4.85 4.90 | 9[11/16]-9[13/16] | 4⅜-4⅞ | 6-6⅛ | 6.34375 | 13⅞-14¼ | 9⅛-9¼ | 10⅝-10⅞ |
| Two Months | 4 80-4.90 | 9¾-9⅞ | — | — | — | — | — | 10⅛-10¾ |
| Three Months | 4.75-4.85 | 9[13/16]-9[15/16] | 4⅜-4[11/16] | 5⅞-6 | 6.34375 | 14¼-14⅝ | 9⅜-9[11/16] | 10⅜-10⅝ |
| Six Months | 4.85-4.90 | 9[15/16]-10[1/16] | — | 5⅞-6 | — | — | 9⅝-9⅞ | 10¼-10½ |
| Lombard | 6.0 | — | — | — | — | — | — | — |
| Intervention | — | 9⅝ | — | 6⅝ | — | — | — | — |

### LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

| Aug. 13 1985 | Sterling Certificate of deposit | Interbank | Local Authority deposits | Company Deposits | Market Deposits | Treasury (Buy) | Treasury (Sell) | Eligible Bank (Buy) | Eligible Bank (Sell) | Fine Trade (Buy) |
|---|---|---|---|---|---|---|---|---|---|---|
| Overnight | — | 11½-14 | [illegible] | 11¾-11⅞ | 11-12 | — | — | — | — | — |
| 2 days notice | — | — | [illegible] | — | — | — | — | — | — | — |
| 7 days or | — | — | [illegible] | — | — | — | — | — | — | — |
| 7 days notice | — | [illegible] | [illegible] | [illegible] | [illegible] | — | — | — | — | — |
| One month | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Two months | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Three months | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Six months | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | — | — | — | — | — |
| Nine months | [illegible] | [illegible] | — | — | — | — | — | — | — | — |
| One year | [illegible] | [illegible] | — | — | — | — | — | — | — | — |

### FT LONDON INTERBANK FIXING

(11.00 a.m. Aug. 13)

| Three months U.S. dollars | |
|---|---|
| bid 8 5/16 | offer 85/16 |

| Six months U.S. dollars | |
|---|---|
| bid 8 | offer 8 1/8 |

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.



## Contracts and Tenders



## Company Notices



## Clubs

# LONDON SHARE SERVICE

## BRITISH FUNDS

"Shorts" (Lives up to Five Years)

| 1985 High | Low | Stock | Price £ | + or – | Yield Int. | Red. |
|---|---|---|---|---|---|---|
| 101¼ | 99⅝ | Exch. 12¼pc 1985 | 100⅛ | ..... | 12.23 | 11.05 |
| 101⅜ | 99⅞ | Exch. 11¾pc '86 | 100⅜xd | ..... | 11.70 | 10.83 |
| 99½ | 97⅛ | Treas. 10pcCnv 1986 | 99⅛ | +⅛ | 10.06 | 10.81 |
| 95½ | 92¼ | Treas 3pc 1986 | 95½ | +⅛ | 3.14 | 9.21 |
| 100 | 97½ | Exch. 10½pc Cv '86 | 99¾ | +⅛ | 10.53 | 10.75 |
| 101⅞ | 99¼ | Treas 12pc 1986 | 100⅞ | +⅛ | 11.89 | 10.70 |
| 98¼ | 94¾ | Treas 8¼pc 1984-86‡‡ | 98¼ | +⅛ | 8.65 | 10.54 |
| 105⅜ | 102⅞ | Exch. 14pc 1986 | 103⅝ | +⅛ | 13.52 | 10.69 |
| 93¾ | 87¼ | Exch. 2½pc 1986 | 93¾ | +⅛ | 2.67 | 7.84 |
| 104⅝ | 101¼ | Exch. 13¼pc 1987 | 103¼ | ..... | 12.82 | 10.60 |
| 99⅜ | 96½ | Treas 10¼pcCv '87 | 99⅛xd | +⅛ | 10.31 | 10.63 |
| 92¼ | 85½ | Exch 2½pc 1987 | 92¼xd | +⅛ | 2.71 | 8.07 |
| 99¾ | 96¼ | Exch. 10½pc 1987 | 99¾ | +⅛ | 10.54 | 10.72 |
| 94 | 89 | Funding 6½pc '85-87‡‡ | 94 | +⅛ | 6.91 | 10.30 |
| 99 | 95½ | Treas. 10pc 1987 | 98¾ | ..... | 10.13 | 10.73 |
| 90⅛ | 84¾ | Treas 3pc 1987 | 90½ | +⅛ | 3.32 | 8.55 |
| 102⅞ | 99¼ | Treas. 12pc 1987 | 102⅜ | ..... | 11.72 | 10.71 |
| 94⅛ | 90¼ | Treas 7¾pc 1985-88‡‡ | 94½xd | +⅛ | 8.20 | 10.32 |
| 99¾ | 95¼ | Exch 10½pc '88 | 99⅜ | +⅛ | 10.55 | 10.66 |
| 97¾ | 93¾ | Treas 9¾pc Cv '88 | 97⅜ | +⅛ | 9.99 | 10.75 |
| 86½ | 80 | Transport 3pc '78-88 | 86⅛ | ..... | 3.48 | 8.50 |
| 96¾ | 91½ | Treas. 9½pc '88 | 96½ | +⅛ | 9.84 | 10.80 |
| 102¾ | 97½ | Treas 11½pc 1989 | 102⅛xd | +⅛ | 11.25 | 10.73 |
| 96⅛ | 90¾ | Treas 9½pc Cnv. '89 | 96¼ | +⅛ | 9.88 | 10.78 |
| 81½ | 79 | Treas 3pc 1989 | 81½ | +⅛ | 3.68 | 8.90 |
| 99¾ | 94 | Treas 10½pc 1989 | 99¾ | +⅛ | 10.58 | 10.72 |
| 97¾ | 92 | Exch.10pc 1989 | 97⅛ | ..... | 10.26 | 10.81 |
| 101 | 95 | Exch 11pc 1989 | 100⅛ | ..... | 10.95 | 10.84 |
| 85¼ | 79 | Treas 5pc 1986-89 | 84¾ | +¼ | 5.91 | 9.50 |
| 108⅞ | 103¾ | Treas 13pc 1990‡‡ | 108⅛ | +⅛ | 12.02 | 10.61 |
| 101¾ | 96¾ | Exch 11pc 1990‡‡ | 101¼xd | ..... | 10.88 | 10.66 |
| 108¼ | 100¼ | Exch. 12½pc 1990 | 105⅞ | +⅛ | 11.80 | 10.81 |
| 76⅞ | 75¼ | Treas. 3pc 1990● | 76⅞ | +⅛ | 3.91 | 9.18 |
| 93 | 87¼ | Treas 8¼pc 1987-90‡‡ | 91¾ | +¼ | 8.99 | 10.49 |

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

## INT. BANK AND O'SEAS GOVT STERLING ISSUES

## CORPORATION LOANS

## COMMONWEALTH & AFRICAN LOANS

## LOANS

Building Societies

Public Board and Ind.

Financial

## FOREIGN BONDS & RAILS

## AMERICANS

## AMERICANS—Cont.

## CANADIANS

## BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

## BEERS, WINES & SPIRITS

## BUILDING, TIMBER, ROADS

## BUILDING, TIMBER, ROADS—Cont.

## CHEMICALS, PLASTICS

## DRAPERY AND STORES

## DRAPERY & STORES—Cont.

## ELECTRICALS

## ENGINEERING

## ENGINEERING—Continued

## FOOD, GROCERIES, ETC

## HOTELS AND CATERERS

## HOTELS—Continued

## INDUSTRIALS (Miscel.)

## INDUSTRIALS—Continued

| 1985 High | Low | Stock | Price | + or − | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| 48 | 29 | ♣Mammet Hldgs. 10p | 38 | +3 | — | — | — | ◆ |
| 330 | 202 | Man. Ship Can. £1 | 330 | +5 | 5.5 | 3.5 | 2.4 | 17.3 |
| 104 | 70 | Marley | 70 | | 3.75 | 2.2 | 7.7 | 8.5 |
| 107 | 55 | Marling Ind. 10p | 88 | +1 | td3.0 | ◆ | 2.1 | ◆ |
| 74 | 36 | Marshall L'ry 'A' | 72 | | 2.4 | 4.9 | 4.8 | 5.2 |
| 77 | 58 | Marshall's Universal | 63 | | 2.0 | 1.4 | 4.8 | (19.0) |
| 86 | 78 | Do. 7¼pcCnRedPf £1 | 83 | +1 | 7¼% | — | 12.9 | — |
| For Martin-Black see Dean Park Hotels in Recent Equities | | | | | | | | |
| £99 | £81 | Matheson 7¼% | £99 | | Q7¼% | 2.3 | 7.9 | — |
| 35 | 26 | ♣Mamerint 1p | 28 | | — | — | — | — |
| 483 | 375 | Metal Box £1 | 483 | +11 | 17.25 | 3.1 | 5.1 | 7.3 |
| 170 | 119 | Metal Closures | 123 | +3 | 6.7 | 2.0 | 7.8 | 7.7 |
| 17 | 3 | ♣Metal Sciences 2½p | 4 | −1 | — | — | — | — |
| 100 | 73 | ♣Midland Marts | 83 | −2 | 4.0 | ◆ | 6.9 | ◆ |
| *83½ | 58½ | Mitchell Cotts | 59½ | −1½ | t4.0 | 1.5 | 9.6 | 8.5 |
| 230 | 182 | Morgan Crucible | 195 | −1 | 8.0 | 1.6 | 5.9 | 13.5 |
| 32½ | 22 | ♣Morris (W) F.A. 20p | 29 | | 0.5 | ◆ | 2.5 | ◆ |
| 110 | 91 | Moss (Robt.) 10p | 104 | | 3.8 | 2.5 | 4.1 | 11.5 |
| 81 | 68 | Myson Grp 10p | 70 | +½ | 2.5 | 3.4 | 5.1 | 13.3 |
| 328 | 214 | ♣NMW Computers | 240 | | h4.8 | 2.7 | 2.9 | 18.4 |
| 45 | 28 | Nash Inds. | 30 | | ‡2.5 | 1.5 | ‡ | 6.9 |
| 48 | 18 | Neill & Spencer 10p | 20 | | ◆ | — | — | 6.0 |
| 44 | 14½ | Newman Inds 10p | 34 | | — | — | — | 16.1 |
| *41 | 28 | Nolton | 30 | | t2.17 | 4.5 | 5.6 | 5.8 |
| 183 | 146 | Norcros | 176 | | 8.6 | 2.2 | 7.0 | 8.8 |
| 67 | 50 | Nu-Swift 5p | 52 | +1 | 3.0 | 1.6 | 8.2 | 10.0 |
| 111 | 68 | Oakwood Grp. | 98 | | td4.5 | 1.4 | 6.6 | (14.0) |
| 230 | 150 | Office & Elect | 212 | | 7.5 | 2.4 | 5.1 | 11.6 |
| 108 | 75 | Oldacre 20p | 77xd | −1 | 4.0 | 2.6 | 7.4 | 6.8 |
| 58 | 37 | ♣Optometrics $0.01 | 46 | | ud02c | — | 3.4 | 48.9 |
| 495 | 312½ | Oriflame £1 | 440 | | 23.4 | 1.8 | 5.3 | 10.4 |
| 18 | 12 | Overstone 12½c | 13 | | [illegible] | 1.9 | 9.5 | 6.3 |

## MINES—Continued

### Miscellaneous (continued)

| 1985 High | Low | Stock | Price | + or − | Div Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 350 | 117 | ♥Centennial Min's | 190 | | — | — | — |
| 120 | 65 | ♥Colby Res Corp. | 75 | | — | — | — |
| 550 | 325 | Cons. Murch. 10c | 335 | −5 | tQ100c | 1.4 | [illegible] |
| 40 | 29 | ♣Ennex Int. Ir10p | 25 | | — | — | — |
| 215 | 115 | Hampton Areas 10p | 129 | | 3.75 | 0.9 | [illegible] |
| 260 | 135 | ♥Highwood Res. | 180 | +3 | — | — | — |
| £22½ | £17½ | Homestake Mining $1 | £19¾ | +¼ | Q20c | — | [illegible] |
| 310 | 190 | ♥McFinley Red Lake | 250 | | — | — | — |
| 305 | 195 | ♥Mesto Explorations | 305 | +5 | — | — | — |
| 55 | 23 | ♥New Sabina Res C$1 | 50 | | — | — | — |
| 375 | 245 | Northgate C$1 | 287 | | — | — | — |
| 685 | 533 | RTZ | 565 | | 20.0 | 2.7 | 5.1 |
| £145½ | £116½ | Do. 9½pcLn '95-2000 | £124 | −2 | Q9½% | 14.0 | 7.5 |
| £14¼ | £10 | ♥Tara Expin $1 | £10¼ | | — | — | — |

## NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ‖ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend, cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

## REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

| Stock | Price | + or − | Stock | Price | + or − |
|---|---|---|---|---|---|
| Albany Inv 20p | 96 | | Arnott | 180 | |
| Craig & Rose £1 | 780 | | CPI Hldgs. | 56 | |
| Finlay Pkg 5p | 61 | | Carrol Inds. | 146 | +1 |
| Higsons Brew | 235 | | Dublin Gas | 70 | |
| Holt (Jos) 25p | 720 | | Hall (R. & H.) | 57 | |
| IoM Stm. £1 | 85 | +2 | Heiton Hldgs. | 19 | |
| IRISH | | | Irish Ropes | 46 | |
| Fund 11¼% 1988 | £101⅞ | +⅛ | Jacob (W. & R.) | 80 | |
| Nat 9¾% 84/89 | £97⅝ | | Unidare | 85xd | |
| Fin. 13% 97/02 | £110¼ | | | | |

"Recent Issues" and "Rights" Page 21
(International Edition Page 26)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £800 per annum for each security.

# LONDON STOCK EXCHANGE

## MARKET REPORT

# Equity leaders react after initial firmness on revived interest rate optimism

**Account Dealing Dates**

| Option *First Dealings | Declarations | Last Dealings | Account Day |
|---|---|---|---|
| July 29 | Aug 8 | Aug 9 | Aug 19 |
| Aug 12 | Aug 29 | Aug 30 | Sept. 9 |
| Sept 2 | Sept 12 | Sept 13 | Sept 23 |

* "New-time" dealings may take place from 9.30 am two business days earlier.

Government securities and leading equities were both initially firmer yesterday as interest rate optimism resurfaced quite strongly in the wake of renewed strength of sterling—the pound gained over a cent against the dollar at one stage to touch $1.4020 before trading just below the $1.4000 level for most of the session. A prediction from NatWest's chief economist that clearing bank base rates should fall to between 10 and 10½ per cent by the end of the year also helped to rekindle market expectations for a further base rate cut, the prospect of which seemed fairly remote last week as the pound fell back.

Sentiment received a further boost following details of the sharp recovery in Building Society receipts last month to the highest level since January. This in turn gave rise to expectations that the Building Societies Association could cut the mortgage rate by a full percentage point when it meets tomorrow.

However, the firmer inclination of blue chip industrials was not maintained and quotations drifted lower on lack of follow-through support. International stocks weakened reflecting the fresh depreciation in the dollar following speculation of further falls in U.S. interest rates and pessimism over the outlook for economic growth. Midday publication of Unilever's disappointing second-quarter profits also soured the tone and small sellers held sway until the close.

Illustrating the equity market's performance, the FT Ordinary share index, after showing an initial improvement of one point, gradually weakened to stand 4.2 points lower at 3 pm before closing the session 4.6 down at 959.6, thus virtually wiping out all of Monday's rise.

Government stocks were featured by activity in medium dated issues. These were particularly popular as operators switched from the longs following the Government's move the previous day in accelerating the pace of its official borrowing programme by announcing its largest funding exercise since early June—£800m of Treasury 9¾ per cent 2002, on sale tomorrow at a minimum tender price of £96, with £25 payable on application and the remainder on September 9.

Gains in the mediums ranged to nearly ½ point, but the switching operations left longer-dated stocks will falls of that amount in places. Meanwhile, short-dated maturities reflected the pound's impressive performance and cheaper money hopes to close with improvements of around ⅛, while index-linked issues continued firmly, recording fresh gains to ¼. Sentiment in the bonds was seemingly unaffected by details of the U.S. retail sales figures for July.

An otherwise routine session in the banking sector was enlivened after-hours' by sudden demand for merchant bank J. Rothschild which advanced 4 to 104p on takeover speculation. Guinness Peat were also subjected to late support and closed 1½ dearer at 68½p. The major clearing banks gained ground as buyers showed renewed enthusiasm. Lloyds, at 420p, and Midland, at 388p, rose 10 apiece, while Barclays put on 7 to 385p, as did NatWest to 640p. Standard Chartered, a dull market of late on concern about the civil unrest in South Africa, rallied 15 to 460p following the Board's proposal to issue up to U.S.$300m undated primary capital floating rate notes in return for the same amount of Guaranteed perpetual floating rate notes.

Interest in Composite Insurances was at a low ebb in front of today's interim results from Commercial Union. CU softened a couple of pence to 216p; market forecasts an interim deficit of between £10m and £25m. General Accident, also scheduled to report first-half figures today, gave up 6 to 647p. GRE declined the same amount to 747p and Sun Alliance cheapened 2 to 500p. Life issues gained ground in places. Legal and General put on 14 to 702p and Prudential added 12 at 700p, while Equity and Law rose 8 to 260p.

Business in Britoil new shares contracted and the price slipped to 117p before picking up to close only a couple of pence cheaper on balance at 120p; the old shares softened 2 to 200p. Aberdeen Steak Houses, which staged a successful debut in the Unlisted Securities Market on Monday, firmed 3 to 76p compared with the placing price of 67p.

Leading Breweries gave modest ground in subdued trading. Bass eased 7 to 550p. Regionals, in contrast, enjoyed their best session for some time. Revived takeover speculation stimulated Matthew Brown, 13 up at 413p, after 418p, while Vaux put on 7 more to 310p and Wolverhampton and Dudley hardened 6 to 356p.

Among Buildings, AMEC met selling following a broker's downgraded profits forecast and fell 17 to 250p. Barratt Developments, on the other hand, continued to reflect favourable Press comment and touched 92p prior to closing a net 6 up at 88p. Taylor Woodrow attracted scattered buying at 453p, up 6, while Redland hardened 4 to 286p. Elsewhere, buying ahead of Friday's annual results lifted Access Satellite 5 to 210p.

### J. Hepworth good again

Proceedings in Stores again centred on secondary issues. J. Hepworth rose 5 more to 242p reflecting excitement over the impending launch of its Next Interiors home furnishing operation. Elsewhere, asset value situations were again well to the fore with Liberty another 30 to the good at 830p. Owen Owen were unchanged at 360p, but Clayform Properties, which recently revealed an 11.6 per cent stake in the department store group, advanced 19 to record a two-day advance of 28 at 186p. Martin Ford, relatively neglected of late, spurted 4 to 45p, after 46p, while occasional interest was also noted for Henry Wigfall, 7 up at 130p, and for Fine Art Developments, a couple of pence to the good at 87p. The favourable reception given to the annual results and capitalisation proposals lifted jewellers Asprey 2 points further to £13½.

Leading Electricals drifted lower for want of support. Thorn EMI, at 351p, lost 6 of the previous day's rise of 13½p. GEC gave up 4 to 188p, while Plessey, at 146p, and Racal, at 160p, relinquished 2 apiece. STC, still reflecting the poor interim figures, softened a couple of pence further to 86p. Interest elsewhere centred on Acorn Computer, dealings in which resumed after the second major re-financing package in less than six months; the shares opened at a 1985 low level of 2½p compared with the suspension price of 11p, but quickly moved forward to close at 7p.

Davy Corporation provided an outstanding firm feature in Engineerings, rising 9 to 115p on persistent speculative buying fuelled by takeover rumours. Similarly, TI were the subject of revived chatter about a possible bid of over £4 per share from Evered which recently acquired a 12 per cent stake in the company and closed 6 to the good at 340p. Thomas Robinson also reflected bid speculation and gained 6 to 107p, while ML rose 15 to 265p on buying ahead of today's preliminary results. G.M. Firth put on 3½ to 47½p and Hallite improved 4 to 160p.

Press comment on the group's latest U.S. acquisition — the £284m purchase of eye care products concern Pearle Health Services—stimulated a lively two-way business in Grand Metropolitan which touched 317p prior to closing a couple of pence cheaper on balance at 311p. Ladbroke firmed 4 to a 1985 peak of 288p; the interim results are expected at the end of the month.

### Unilever disappoints

Miscellaneous industrial leaders plotted an irregular course in moderate trading. Unilever lost ½ to a 1985 low of £10 following disappointing second-quarter profits, while Glaxo reflected currency influences and fell ½ to £13½. Metal Box, on the other hand, advanced 11 to 483p, after 490p, as sudden demand found stock in short supply. Reckitt and Colman reacted from an early firm level of 518p to close only 5 dearer at 510p. Secondary issues were featured by a fall of 15 to 63p in Christie-Taylor after news of the agreed cash offer of 65p per share from Hillsdown; 5 better at 160p; CT had jumped 29 on Monday following news of the bid approach. British Syphon continued to reflect rationalisation plans with a gain of 8 at 136p.

The Leisure sector displayed several bright spots. Renewed demand in a restricted market lifted First Leisure 7 to 311p, while acquisition news prompted support for President Entertainments, up 4 at 88p. Horizon gained 8 to 120p helped by the pound's latest strength and newsletter comment.

Public relations concern Good Relations encountered further profit-taking and dipped 11 more to 237p in the absence of any bid news; both Saatchi and Saatchi and Lowe Howard-Spink have recently been mentioned as possible suitors.

Revived interest rate optimism combined with recent reports of record office lettings in Central London provided the spur for Properties and quotations moved sharply higher before easing back on profit-taking to close well below the best. MEPC touched 297p prior to closing only a penny dearer on balance at 292p. Land Securities settled 2 higher at 300p, after 302p. British Land, after early progress to 160p, reacted to 155p for a net fall of 2, but Haslemere Estates were 6 higher at 494p and Hammerson A 5 dearer at 465p.

### Saxon bid approach

After Monday's successful Britoil issue, attention in the Oil sector switched to USM-quoted Saxon following a bid approach from Enterprise; the latter's intimated offer of 525p per share sent Saxon soaring to 460p, a rise of 120 on the day. Enterprise slipped to 173p prior to closing a penny cheaper on balance at 175p, while Charterhouse, in the course of merging with Saxon, gained 5 to 83p. The oil majors attracted a good two-way business in places, but closed virtually unchanged. Ultramar, second-quarter figures due today, touched 215p prior to closing without alteration at 213p. Tricentrol, also reporting interim figures today, softened a couple of pence to 193p.

South African Golds and related sectors of mining markets failed to capitalise on recent strength and gave ground across the board from the outset. Sentiment was unsettled by widespread feelings that projected reforms in Pretoria's apartheid policy, due to be announced later this week, will fall substantially short of expectations. This in turn heightened fears that Congress will impose economic sanctions on the Republic and the Rand, relatively buoyant of late, fell back against the dollar.

Heavyweight Golds showed some sizeable losses although these were usually attributable to professional offerings in thin and sensitive markets. Vaal Reefs was hardest hit, closing almost 5 points off at £55½. Randfontein eased 2 to £62¾, while Southvaal shed 1½ to £25½.

Bullion was another inhibiting factor. Up to $329½ at one stage, the metal price eased behind the firmer dollar and closed only $0.25 up on balance at $326.25 per ounce.

"Down-under" issues traded quietly in London reflecting subdued overnight Sydney and Melbourne markets. Leading resource stocks tended firmer under the lead of MIM, 3 up at 146p, but Golds showed scant alteration.

Demand for Traded Options expanded slightly with total contracts struck amounting to 6,380. British Telecom accounted for a substantial slice of the business with 1,302 calls transacted, 507 of which were done in the February 220's. Another two-way trade was evident for Grand Metropolitan which attracted 505 calls, 341 in the January 330's, and 229 puts.

## FINANCIAL TIMES STOCK INDICES

| | Aug. 13 | Aug. 12 | Aug. 9 | Aug. 8 | Aug. 7 | Aug. 6 | year ago |
|---|---|---|---|---|---|---|---|
| Government Secs | 83.58 | 83.71 | 83.29 | 83.41 | 83.12 | 82.96 | 80.57 |
| Fixed Interest | 88.58 | 88.58 | 88.44 | 88.47 | 88.29 | 88.29 | 85.14 |
| Ordinary ♥ | 959.6 | 964.2 | 959.5 | 958.0 | 955.7 | 956.1 | 848.6 |
| Gold Mines | 343.6 | 349.1 | 337.2 | 338.5 | 310.9 | 298.1 | 563.0 |
| Ord. Div. Yield | 4.88 | 4.85 | 4.87 | 4.88 | 4.87 | 4.89 | 4.86 |
| Earnings, Yld. %(full) | 12.02 | 11.95 | 11.99 | 12.04 | 12.03 | 12.06 | 11.45 |
| P/E Ratio (net) (*) | 10.26 | 10.32 | 10.29 | 10.25 | 10.25 | 10.21 | 10.50 |
| Total bargains (Est.) | 22,995 | 21,359 | 20,052 | 18,923 | 19,523 | 19,717 | 18,060 |
| Equity turnover £m. | — | 361.34 | 364.05 | 366.8 | 313.41 | 389.61 | 247.98 |
| Equity bargains | — | 23,018 | 17,886 | 15,986 | 14,791 | 16,415 | 16,945 |
| Shares traded (ml) | — | 177.2 | 182.3 | 201.2 | 166.9 | 173.2 | 140.0 |

♥ 10 am 965.2. 11 am 964.5. Noon 962.2. 1 pm 960.4. 2pm 960.1. 3 pm 960.0. 4 pm 960.4.

Day's High 966.0. Day's Low 959.6.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

* Nil=9.86.

### HIGHS AND LOWS / S.E. ACTIVITY INDICES

| — | 1985 High | 1985 Low | Since Compilat'n High | Since Compilat'n Low |
|---|---|---|---|---|
| Govt. Secs. | 83.87 (30/7) | 78.02 (28/1) | 127.4 (9/1/35) | 49.18 (3/1/75) |
| Fixed Int. | 88.74 (30/7) | 82.17 (28/1) | 150.4 (28/11/47) | 50.53 (3/1/75) |
| Ordinary | 1024.5 (22/1) | 911.0 (25/7) | 1024.5 (22/1/85) | 49.4 (26/6/40) |
| Gold Mines | 536.9 (15/4) | 298.1 (6/8) | 734.7 (15/2/83) | 43.5 (26/10/71) |

| | Aug. 12 | Aug. 9 |
|---|---|---|
| Daily Gilt Edged Bargains | 136.0 | 132.1 |
| Equities Bargains | 149.1 | 115.9 |
| Equities Value | 730.2 | 735.8 |
| 5 day Average Gilt Edged Bargains | 135.6 | 134.6 |
| Equities Bargains | 114.2 | 104.1 |
| Equities Value | 725.7 | 715.6 |

## NEW HIGHS AND LOWS FOR 1985

### NEW HIGHS (13)

BRITISH FUNDS (13)

LOANS (1)

Nationwide Bldg. Soc. 12½pc 31.3.86

CANADIANS (1)

Intl. Corona Res.

BREWERS (4)

Clark (Matthew) Greene King Fuller Sm. Turner A Wlverhmptn. Dudley

BUILDINGS (4)

Dunton Ward Hldgs. Laing (J.) Wilson (Connolly)

STORES (10)

Asprey Our Price Habitat Mothercare Owen Owen Do. 9½pc Cnv. 1998-2001 Stanley (A. G.) Hepworth (J.) Vantona Viyella Liberty Wigfall (H.)

ENGINEERING (3)

MS Intl. Robinson (T.) Porter Chadburn

FOODS (2)

England (J. E.) Salvesen (Christian)

HOTELS (1)

Ladbroke

INDUSTRIALS (11)

Bestwod Gieves Brit. Bldstck. Agcy. Johnston Group British Syphon Lawtex Delaney Metal Box Eleco Williams Hldgs. Fogarty

LEISURE (5)

First Leisure Pleasurama 7pc Cnv. Cum. Red. Pf. HTV N-V Ulster TV N-V A LWT

PAPER (1)

Cropper (James)

PROPERTY (15)

TEXTILES (1)

Nottingham Mfg.

TRUSTS (1)

TR Prop. Inv.

OILS (1)

BLF UK 12¼pc Ln. 1991

OVERSEAS TRADERS (1)

Tozer Kemsley

PLANTATIONS (1)

Grand Central

MINES (4)

Eastcourt Hill Minerals Hawk Invs. Musto Exploration

### NEW LOWS (39)

FOREIGN BONDS (1)

Chin. 5pc '25 Boxer

AMERICANS (9)

BankAmerica TU International Bellsouth Lowe's Chase Manhattan Tracor GATX Transamerica IC Inds.

FOODS (1)

Brewmaker

INDUSTRIALS (12)

Baxter Travenol Ricardo Blundell-Permoglaze Rivlin (J. D. & S.) Cowan de Groot Rolfe & Nolan Emhart Securicor Fergabrook Do. A N-V PLM B Unilever

INSURANCE (1)

Alexander Alexander

LEISURE (1)

Radio Clyde N-V

PAPERS (2)

Osborne & Little Osprey Comms.

PROPERTY (1)

Cons. Tern. Invs.

SHIPPING (1)

Gotaas-Larson

TRUSTS (4)

Hunting Gibson Majedie Inv. AB Beller Utd. Comp. & Tech.

OILS (1)

Ind. Scot. Energy

OVERSEAS TRADERS (2)

Lonrho R&A Hldgs.

PLANTATIONS (3)

Harrisons M'y Plnts. Moran Tea Assam-Dooars

## RECENT ISSUES

### EQUITIES

[illegible]

### FIXED INTEREST STOCKS

[illegible]

### RIGHTS OFFERS

| Issue price | Amount paid up | Latest Renunc. date | 1985 High | 1985 Low | Stock | Closing price | + or − |
|---|---|---|---|---|---|---|---|
| 90 | Nil | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 165 | F.P. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 180 | F.P. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 25 | Nil | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 100 | F.P. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 5 | Nil | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 280 | F.P. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 185 | 100 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 210 | F.P. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 50 | Nil | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 77 | F.P. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 85 | Nil | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 120 | F.P. | 30/8 | 135 | 125 | Prestwich | 135 | +3 |
| 425 | Nil | 20/9 | 80pm | 20pm | TACE 10p | 68pm | −2 |
| 400 | Nil | 20/9 | 84pm | 63pm | Siebe | 70pm | ... |
| 250 | Nil | — | 35pm | 35pm | ✱Thermal Scientific | 35pm | ... |
| A$1.25 | Nil | — | 5pm | 1pm | ♥Woodside Pet. A$0.50 | 1½pm | ... |

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimates. *g* Assumed dividend and yield. *u* Forecast dividend cover based on previous year's earnings. *t* Indicated dividend; cover relates to previous dividend. P/E ratio based on latest annual earnings. *p* Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment letters or fully paid. ‖‖ Introduction. ✱ Unlisted Securities Market. § Placing price. ‡‡ Dealt in under Rule 535 (3). ♥ Dealt in under Rule 535 (4) (a).

## OPTIONS

| First Dealings | Last Dealings | Last Declaration | For Settlement |
|---|---|---|---|
| Aug 5 | Aug 16 | Nov 7 | Nov 18 |
| Aug 19 | Sept 6 | Nov 21 | Dec 2 |
| Sept 9 | Sept 20 | Dec 5 | Dec 16 |

Call options were transacted in Associated Book Publishers, STC, Stroud Riley Drummond, Hartesbeest, Western Areas, James Halstead, Renishaw, Courtaulds, Philcom, Aberdeen Steak Houses, Hanson Trust, Riley Leisure and Brengreen.

## RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 48 | 36 | 22 |
| Corpns Dom and Foreign Bonds | 21 | 4 | 53 |
| Industrials | 307 | 245 | 916 |
| Financial and Props | 116 | 104 | 332 |
| Oils | 26 | 21 | 78 |
| Plantations | 1 | 9 | 8 |
| Mines | 34 | 60 | 85 |
| Others | 28 | 133 | 86 |
| Totals | 582 | 612 | 1,580 |

## FT-ACTUARIES SHARE INDICES

**These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries**

| | EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section) | Tue Aug 13 1985 Index No. | Day's Change % | Est. Earnings Yield% (Max.) | Gross Div. Yield% (ACT at 30%) | Est. P/E Ratio (Net) | xd adj. 1985 to date | Mon Aug 12 Index No. | Fri Aug 9 Index No. | Thurs Aug 8 Index No. | Year ago (approx.) Index No. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | CAPITAL GOODS (206) | 517.84 | −0.1 | 10.95 | 4.29 | 11.49 | 10.52 | 517.68 | 513.13 | 515.44 | 507.84 |
| 2 | Building Materials (22) | 532.64 | +0.3 | 12.46 | 4.97 | 9.87 | 11.92 | 530.81 | 527.87 | 529.29 | 461.15 |
| 3 | Contracting, Construction (29) | 815.77 | +0.3 | 12.22 | 5.06 | 10.57 | 17.54 | 813.19 | 807.57 | 810.19 | 675.35 |
| 4 | Electricals (14) | 1347.72 | −0.1 | 11.87 | 5.48 | 10.69 | 33.14 | 1349.28 | 1347.38 | 1343.40 | 1542.84 |
| 5 | Electronics (38) | 1434.51 | −1.2 | 10.56 | 3.14 | 12.46 | 27.30 | 1452.50 | 1434.93 | 1447.65 | 1832.71 |
| 6 | Mechanical Engineering (62) | 280.77 | +0.2 | 11.65 | 5.00 | 10.48 | 6.15 | 280.31 | 280.06 | 282.20 | 251.13 |
| 8 | Metals and Metal Forming (7) | 200.69 | +0.1 | 12.49 | 7.83 | 10.07 | 4.13 | 200.40 | 199.73 | 197.83 | 184.42 |
| 9 | Motors (16) | 157.55 | +0.2 | 14.09 | 5.40 | 8.78 | 3.55 | 157.20 | 155.21 | 156.07 | 128.49 |
| 10 | Other Industrial Materials (18) | 917.16 | +0.8 | 7.61 | 3.65 | 15.90 | 15.81 | 909.55 | 895.80 | 894.93 | 678.82 |
| 21 | CONSUMER GROUP (176) | 666.37 | −0.3 | 9.68 | 3.92 | 12.95 | 12.36 | 668.39 | 665.96 | 665.49 | 516.53 |
| 22 | Brewers and Distillers (24) | 631.60 | −0.4 | 11.18 | 4.61 | 11.31 | 13.81 | 634.27 | 632.57 | 628.34 | 522.46 |
| 25 | Food Manufacturing (21) | 485.26 | −0.7 | 12.17 | 5.02 | 10.41 | 13.09 | 488.91 | 486.60 | 488.01 | 391.60 |
| 26 | Food Retailing (14) | 1602.45 | +0.3 | 5.73 | 2.60 | 23.21 | 16.93 | 1597.39 | 1585.68 | 1607.78 | 1200.95 |
| 27 | Health and Household Products (9) | 1063.79 | −1.0 | 6.34 | 2.79 | 18.50 | 11.95 | 1074.93 | 1072.94 | 1064.01 | 869.38 |
| 29 | Leisure (22) | 649.48 | +0.3 | 8.69 | 5.05 | 15.07 | 20.79 | 647.69 | 641.65 | 629.90 | 592.47 |
| 32 | Newspapers, Publishing (12) | 1769.94 | — | 8.69 | 4.38 | 14.81 | 37.91 | 1770.79 | 1770.03 | 1770.96 | 1286.65 |
| 33 | Packaging and Paper (14) | 354.51 | +0.6 | 9.99 | 4.17 | 11.87 | 6.20 | 352.42 | 349.07 | 349.33 | 242.12 |
| 34 | Stores (41) | 670.52 | +0.2 | 7.49 | 3.16 | 18.15 | 9.53 | 669.07 | 666.75 | 667.83 | 438.13 |
| 35 | Textiles (16) | 321.35 | +1.3 | 13.60 | 5.11 | 8.34 | 7.97 | 317.29 | 316.56 | 314.58 | 267.16 |
| 36 | Tobaccos (3) | 794.49 | −1.7 | 18.59 | 5.41 | 6.09 | 18.71 | 807.93 | 809.66 | 814.10 | 691.93 |
| 41 | OTHER GROUPS (101) | 670.22 | −0.4 | 9.53 | 4.22 | 13.57 | 14.13 | 672.82 | 675.38 | 677.41 | 457.38 |
| 42 | Chemicals (19) | 662.92 | −1.1 | 14.80 | 5.71 | 8.93 | 24.95 | 670.50 | 679.76 | 679.02 | 605.65 |
| 44 | Office Equipment (4) | 199.94 | +0.7 | 7.99 | 4.40 | 14.93 | 3.64 | 198.62 | 198.74 | 199.85 | 132.76 |
| 45 | Shipping and Transport (12) | 1159.07 | −0.8 | 8.53 | 4.57 | 14.56 | 25.71 | 1167.93 | 1169.07 | 1163.68 | 866.43 |
| 46 | Miscellaneous (64) | 816.24 | −0.2 | 7.81 | 3.89 | 15.59 | 14.06 | 817.47 | 821.60 | 824.17 | 637.62 |
| 48 | Telephone Networks (2) | 871.46 | −0.2 | 8.58 | 3.72 | 15.57 | 14.38 | 873.39 | 872.66 | 877.87 | 0.0 |
| 49 | INDUSTRIAL GROUP (483) | 635.42 | −0.3 | 9.91 | 4.09 | 12.71 | 12.50 | 637.21 | 635.36 | 636.36 | 510.26 |
| 51 | Oils (17) | 1131.43 | — | 16.53 | 7.42 | 7.44 | 39.47 | 1131.17 | 1143.58 | 1133.11 | 1060.97 |
| 59 | 500 SHARE INDEX (500) | 677.13 | −0.2 | 10.78 | 4.53 | 11.63 | 14.68 | 678.77 | 678.03 | 678.14 | 556.38 |
| 61 | FINANCIAL GROUP (115) | 480.74 | +0.9 | — | 4.97 | — | 12.39 | 476.28 | 475.91 | 474.78 | 381.58 |
| 62 | Banks (6) | 477.43 | +1.7 | 18.78 | 6.20 | 7.61 | 19.80 | 469.60 | 473.98 | 475.51 | 360.28 |
| 65 | Insurance (Life) (9) | 754.68 | +1.6 | — | 4.30 | — | 14.71 | 742.61 | 739.20 | 735.84 | 520.52 |
| 66 | Insurance (Composite) (7) | 374.68 | −0.4 | — | 5.21 | — | 8.53 | 376.27 | 376.28 | 369.65 | 272.38 |
| 67 | Insurance (Brokers) (7) | 1097.48 | +0.4 | 8.55 | 3.77 | 15.63 | 21.02 | 1092.70 | 1096.08 | 1099.56 | 813.75 |
| 68 | Merchant Banks (11) | 226.95 | +0.3 | — | 4.91 | — | 4.92 | 226.23 | 225.53 | 225.87 | 203.28 |
| 69 | Property (50) | 654.12 | +0.8 | 5.68 | 3.63 | 23.63 | 9.88 | 649.14 | 648.88 | 642.47 | 592.31 |
| 70 | Other Financial (25) | 271.19 | +1.2 | 9.09 | 6.01 | 13.37 | 8.14 | 267.86 | 268.10 | 267.91 | 252.93 |
| 71 | Investment Trusts (106) | 579.72 | −0.2 | — | 3.82 | — | 10.65 | 580.85 | 580.75 | 579.54 | 511.33 |
| 81 | Mining Finance (3) | 255.81 | — | 12.69 | 5.99 | 9.14 | 5.36 | 255.81 | 250.92 | 253.41 | 283.05 |
| 91 | Overseas Traders (14) | 602.46 | −0.2 | 12.56 | 6.56 | 9.57 | 23.86 | 603.47 | 603.68 | 607.26 | 559.19 |
| 99 | ALL-SHARE INDEX (738) | 620.62 | — | — | 4.60 | — | 13.81 | 620.93 | 620.18 | 620.07 | 512.23 |

| | Index No. | Day's Change | Day's High | Day's Low | Aug 12 | Aug 9 | Aug 8 | Aug 7 | Aug 6 | Year ago |
|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 SHARE INDEX | 1285.1 | −3.0 | 1290.8 | 1284.5 | 1288.1 | 1286.3 | 1286.0 | 1286.6 | 1287.5 | 1091.8 |

### FIXED INTEREST

| | PRICE INDICES | Tue Aug 13 | Day's change % | Mon Aug 12 | xd adj. today | xd adj. 1985 to date |
|---|---|---|---|---|---|---|
| | British Government | | | | | |
| 1 | 5 years | 119.47 | +0.08 | 119.38 | — | 6.84 |
| 2 | 5-15 years | 133.00 | −0.12 | 133.16 | — | 8.43 |
| 3 | Over 15 years | 138.59 | −0.35 | 140.01 | 0.93 | 8.04 |
| 4 | Irredeemables | 152.22 | −0.19 | 152.51 | — | 7.27 |
| 5 | All stocks | 130.89 | −0.09 | 131.13 | 0.13 | 7.87 |
| 6 | Debentures & Loans | 112.71 | +0.22 | 112.47 | — | 6.91 |
| 7 | Preference | 79.62 | — | 79.62 | — | 4.68 |
| | BRITISH GOVERNMENT INDEX-LINKED STOCKS | | | | | |
| 8 | All stocks | 111.78 | +0.38 | 111.36 | — | 2.00 |

| | AVERAGE GROSS REDEMPTION YIELDS | | Tue Aug 13 | Mon Aug 12 | Year ago (approx.) |
|---|---|---|---|---|---|
| | British Government | | | | |
| 1 | Low | 5 years | 10.03 | 10.03 | 10.92 |
| 2 | Coupons | 15 years | 10.16 | 10.12 | 10.55 |
| 3 | | 25 years | 10.16 | 10.12 | 10.10 |
| 4 | Medium | 5 years | 10.80 | 10.81 | 11.57 |
| 5 | Coupons | 15 years | 10.53 | 10.48 | 10.92 |
| 6 | | 25 years | 10.16 | 10.09 | 10.34 |
| 7 | High | 5 years | 10.85 | 10.88 | 11.57 |
| 8 | Coupons | 15 years | 10.68 | 10.63 | 11.12 |
| 9 | | 25 years | 10.28 | 10.20 | 10.41 |
| 10 | Irredeemables† | | 9.98 | 9.94 | 10.02 |
| 11 | Debs & | 5 years | 11.54 | 11.58 | 12.54 |
| 12 | Loans | 15 years | 11.38 | 11.42 | 12.45 |
| 13 | | 25 years | 11.25 | 11.25 | 12.45 |
| 14 | Preference† | | 12.32 | 12.32 | 13.17 |
| 15 | Inflation rate | 5% | 3.57 | 3.60 | 3.76 |
| 16 | | 10% | 3.39 | 3.42 | 3.58 |

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

## MONDAY'S ACTIVE STOCKS

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

| Stock | No. of changes | Mon. close | Day's change |
|---|---|---|---|
| Britoil† | 19 | 122 | — |
| Thorn EMI | 15 | 357xd | +13½ |
| Abrdn. Stk. H. | 14 | 73 | — |
| Grand Met. | 14 | 313xd | + 9 |
| BSR Intl. | 12 | 75 | + 2 |
| BTR | 12 | 338 | + 7 |
| De Beers Dfd. | 12 | 378 | +16 |
| ICI | 12 | 666xd | − 3 |
| Lloyds Bank | 12 | 410xd | + 4½ |
| STC | 12 | 88 | − 4 |
| Transport Dev. | 12 | 128 | − 2 |
| Shell Transport | 11 | 675 | −10 |

† Partly paid.

## YESTERDAY'S ACTIVE STOCKS

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

| Stock | Closing price | Day's change |
|---|---|---|
| AMEC | 250 | −17 |
| Acorn Computer | 7 | + 4½ |
| Britoil (partly paid) | 120 | − 2 |
| Brown (Matthew) | 413 | +13 |
| Clayform Props. | 186 | +19 |
| Good Relations | 237 | −11 |
| Grand Metropolitan | 311 | − 2 |
| ICI | 654 | −12 |
| MEPC | 292 | + 1 |
| Metal Box | 483 | +11 |
| Rotaflex | 163 | − 2 |
| Rothschild (J.) | 104 | + 4 |

## EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS: 36,744

A=Ask B=Bid C=Call P=Put

## LONDON TRADED OPTIONS

| Option | | Calls Oct. | Calls Jan. | Calls Apr. | Puts Oct. | Puts Jan. | Puts Apr. |
|---|---|---|---|---|---|---|---|
| B.P. (*538) | 460 | 88 | — | — | 4 | — | — |
| | 500 | 50 | 68 | 77 | 10 | 15 | 23 |
| | 550 | 15 | 32 | 43 | 26 | 32 | 40 |
| | 600 | 5 | 15 | — | 70 | 72 | — |

| Option | | Calls Aug. | Calls Nov. | Calls Feb. | Puts Aug. | Puts Nov. | Puts Feb. |
|---|---|---|---|---|---|---|---|
| Lonrho (*155) | 140 | 16 | — | — | 1½ | — | — |
| | 160 | 1½ | 9 | 15 | 7½ | 10 | 11 |
| | 180 | 1 | 3 | 6 | 27 | 28 | 29 |
| P. & O. (*386) | 330 | 55 | 60 | 65 | 2 | 5 | 5 |
| | 360 | 28 | 37 | 42 | 2 | 11 | 18 |

[illegible]

Aug. 13 Total Contracts 6,380. Calls 4,793. Puts 1,587.

*Underlying security price.

# WORLD STOCK MARKETS

## AUSTRIA

| Aug. 13 | Price Sch% | + or — |
|---|---|---|
| Creditanstalt | 335 | +10 |
| Goesser | 491 | ..... |
| Interunfall | 1,500 | —10 |
| Laenderbank | 340 | +7 |
| Perlmooser | 563 | +3 |
| Steyr-Daimler | 173 | +3 |
| Veitscher Mag | 540 | ..... |

## BELGIUM/LUXEMBOURG

| Aug. 13 | Price Frs. | + or — |
|---|---|---|
| B.B.L. | 2,025 | —5 |
| Banq. Gen Lux | 6,950 | ..... |
| Banq. Int. A. Lux | 6,600 | ..... |
| Bekaert B | 5,440 | —40 |
| Ciment CBR | 2,440 | ..... |
| Cockerill | 315 | —4 |
| Delhaize | 7,950 | ..... |
| EBES | 2,880 | +10 |
| Electrobel | 6,460 | ..... |
| Fabrique Nat | 1,925 | ..... |
| GB Inno BM | 3,630 | ..... |
| GBL (Brux) | 1,900 | +10 |
| Gevaert | 3,905 | +55 |
| Hoboken | 6,450 | +130 |
| Intercom | 2,190 | +10 |
| Kredietbank | 8,900 | ..... |
| Pan Hldgs | 10,300 | ..... |
| Petrofina | 5,760 | ..... |
| Royale Belge | 12,250 | ..... |
| Soc. Gen. Banq | 3,360 | +5 |
| Soc. Gen. Belge | 1,785 | —5 |
| Sofina | 7,390 | +40 |
| Solvay | 4,530 | +15 |
| Stanwick Intl | 1,350 | —50 |
| Tractionel | 3,830 | +40 |
| UCB | 5,050 | +30 |
| Wagon Lits | 2,995 | —35 |

## DENMARK

| Aug. 13 | Price Knr % | + or — |
|---|---|---|
| Andelsbanken | 324 | —5 |
| Baltic Skand | 715 | ..... |
| CopHandelsbank | 318 | —4 |
| D. Sukkerfab | 470 | —5 |
| Danske Bank | 357 | —3 |
| De Danske Luft | 1,200 | ..... |
| East Asiatic | 247 | +7 |
| Forenede Brygg. | 945 | ..... |
| Forenede Damp. | 166 | +3 |
| GNT Hldg | 448 | ..... |
| I.S.S.B. | 485 | +10 |
| Jyske Bank | 785 | +5 |
| Novo Ind's | 1,660 | +60 |
| Privatbanken | 336 | —1 |
| Provinsbanken | 398 | —1 |
| Smidth (F.L) B | 265 | +3 |
| Sophus Berend | 1,115 | ..... |
| Superfos | 418 | +1 |

## FRANCE

| Aug. 13 | Price Frs. | + or — |
|---|---|---|
| Emprunt 4½% 1973 | 1,616 | +6 |
| Emprunt 7% 1973 | 8,276 | +30 |
| Accor | 289 | —4 |
| Air Liquide | 584 | —3 |
| BIC | 495 | —3 |
| Bongrain | 1,824 | —16 |
| Bouygues | 776 | —9 |
| BSN Gervais | 2,160 | —5 |
| CIT-Alcatel | 1,181 | —14 |
| Carrefour | 2,289 | —43 |
| Club Mediter'n | 517 | —2 |
| Cie Bancaire | 635 | ..... |
| Cofimeg | 289 | +1 |
| Damart | 1,890 | +70 |
| Darty | 1,416 | +5 |
| Dumez S.A. | 810 | —23 |
| Eaux (Cie Gen) | 621 | —1 |
| Elf-Aquitaine | 194.5 | —1.5 |
| Essilor | 2,248 | +10 |
| Gen. Occidentale | 730 | —5 |
| Imetal | 87 | —2 |
| Lafarge Coppee | 530 | —9 |
| L'Oreal | 2,225 | +19 |
| Legrand | 2,125 | —15 |
| Maisons Phenix | 180.5 | —1.6 |
| Matra S.A. | 1,748 | —10 |
| Michelin B | 1,150 | —10 |
| Midi (Cie) | 2,980 | —4 |
| Moet-Hennessy | 1,826 | —2 |
| Moulinex | 75.6 | —3.5 |
| Nord Est | 93 | —1.5 |
| Pernod Ricard | 695 | —1 |
| Perrier | 477 | —9 |
| Petroles Fra. | 227 | —1.8 |
| Peugeot S.A. | 381.5 | —1.5 |
| Printemps Au | 287 | +5 |
| Radiotech | 299 | +2 |
| Redoute | 1,490 | +1 |
| Roussel Uclaf | 1,515 | —10 |
| Sefimeg | 348 | —2 |
| Skis Rossignol | 1,580 | +10 |
| Telemec Elect | 2,600 | ..... |
| Thomson CSF | 528 | —3 |
| Valeo | 217 | —1.5 |

## GERMANY

| Aug. 13 | Price Dm. | + or — |
|---|---|---|
| AEG-Telef | 128.8 | +0.1 |
| Allianz Vers | 1,385 | ..... |
| BASF | 223.7 | +2.7 |
| Bayer | 224 | +3 |
| Bayer-Hypo | 360 | ..... |
| Bayer-Verein | 389 | +2 |
| BHF-Bank | 316 | +6 |
| BMW | 436.8 | —1.7 |
| Brown Boveri | 225 | —1.5 |
| Commerzbank | 206.9 | +0.4 |
| Cont'l. Gummi | 149 | —0.8 |
| Daimler-Benz | 871xd | —4 |
| Degussa | 356 | +2.8 |
| D'sche Babcock | 156.5 | +1.4 |
| Deutsche Bank | 546.5 | ..... |
| Dresdner Bank | 265.5 | ..... |
| GHH | 172.5 | +0.5 |
| Hochtief | 646 | +3 |
| Hoechst | 221.2 | +1 |
| Hoesch Werke | 110.5 | ..... |
| Holzmann (P) | 450 | —3 |
| Horten | 184 | —1 |
| Hussel | 339 | —2.5 |
| Karstadt | 236.3 | —0.2 |
| Kaufhof | 268 | —2 |
| KHD | 278.2 | —2.8 |
| Kloeckner | 60.9 | +0.6 |
| Linde | 494.5xr | +0.5 |
| Lufthansa | 219 | +3 |
| MAN | 162.5 | +2.5 |
| Mannesmann | 188.2 | —2.3 |
| Mercedes Hld | 789 | +6 |
| Metallgesell | 255 | +3 |
| Muench Rueck | 1,759 | +9 |
| Nixdorf | 534 | —2 |
| Porsche | 1,285 | —17 |
| Preussag | 275 | +6 |
| Rhein West Elect | 185.3 | —0.7 |
| Rosenthal | 253 | ..... |
| Schering | 462.5 | —0.5 |
| Siemens | 544.5 | —3.8 |
| Thyssen | 118.7 | —1.5 |
| Varta | 220 | +1 |
| Veba | 251 | —0.8 |
| V.E.W. | 137 | +0.3 |
| Verein-West | 332 | ..... |
| Volkswagen | 318 | —5.2 |

## ITALY

| Aug. 13 | Price Lire | + or — |
|---|---|---|
| Banco Com'le | 22,870 | +70 |
| Bastogi-IRBS | 225 | —3.5 |
| B.I-Invest | 6,800 | —520 |
| Centrale | 3,200 | —49 |
| Credito Varesino | 4,499 | —31 |
| Fiat | 4,045 | +10 |
| Finsider | — | ..... |
| Generali Assicur. | 55,010 | —890 |
| Italcementi | 45,950 | —1050 |
| La Rinascente | 855 | —6 |
| Montedison | 2,030 | +23 |
| Olivetti | 6,395 | —60 |
| Pirelli Co | 5,850 | +49 |
| Pirelli Spa | 3,015 | —20 |
| Saipem | 6,950 | —50 |
| Snia BPD | 3,299 | —16 |
| Toro Assic. | 17,250 | —60 |
| do Pref | 13,000 | +240 |

## NETHERLANDS

| Aug. 13 | Price Fls | + or — |
|---|---|---|
| ACF Holding | 247 | +4 |
| AEGON | 95 | ..... |
| Ahold | 238 | +0.3 |
| AKZO | 121.5 | —0.5 |
| ABN | 517xr | +14 |
| AMEV | 264.5 | —2.5 |
| AMRO | 87.5 | +1.7 |
| Bredero Cert | 163.5 | ..... |
| Bos Kalis Westm. | 17.8 | —0.4 |
| Buehrmann-Tet. | 101.8 | +0.8 |
| Calland Hldgs. | 38.5 | +0.5 |
| Dordtsche Pet'm | 170 | —0.2 |
| Elsevier NDU | 131.5 | +2.7 |
| Fokker | 85.5 | —0.9 |
| Gist Brocades | 211.5 | —0.5 |
| Heineken | 149 | —0.2 |
| Hoogovens | 65.6 | +0.5 |
| Int Mueller | 56.4 | +0.4 |
| KLM | 59 | +0.1 |
| Naarden | 49 | —0.3 |
| Nat Ned Cert | 73.8 | +0.2 |
| Ned Mid Bank | 215.5 | +2 |
| Nedlloyd | 176.5 | +1.8 |
| Oce Grinten | 338 | —0.5 |
| Ommeren (Van) | 28.8 | —0.2 |
| Pakhoed | 69 | ..... |
| Philips | 46.9 | +0.6 |
| Robeco | 74.6 | —0.2 |
| Rodamco | 131.8 | —0.6 |
| Rolinco | 68.3 | —0.6 |
| Rorento | 46 | —0.1 |
| Royal Dutch | 189 | —0.3 |
| Unilever | 329.5 | +3 |
| VMF Stork | 240.5 | +0.3 |
| VNU | 210.5 | ..... |
| Wessanen | 176.5 | +1.5 |
| West Utr Bank | 101.5 | +2 |

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

## NORWAY

| Aug. 13 | Price Kroner | + or — |
|---|---|---|
| Bergens Bank | 144 | —0.5 |
| Borregaard | 400 | +4 |
| Christiania Bank | 140 | ..... |
| DenNorske Cred | 144.5 | +0.5 |
| Elkem | 131 | +5 |
| Kosmos | 226 | +1 |
| Kvaerner | 163 | —1 |
| Norsk Data | 349 | —1 |
| Norsk Hydro | 108.5 | ..... |
| Storebrand | 276 | +3 |

## SPAIN

| Aug. 13 | Price Pta% | + or — |
|---|---|---|
| Bco Bilbao | 345 | —4 |
| Bco Central | 315 | ..... |
| Bco Exterior | 201 | +1 |
| Bco Hispano | 148 | ..... |
| Bco Popular | 340 | —3 |
| Bco Santander | 341 | ..... |
| Bco. Vizcaya | 449 | +2 |
| Dragados | 129.5 | —2.5 |
| Hidrola | 75.7 | +0.7 |
| Iberduero | 91 | —0.2 |
| Petroleos | 126.5 | —0.5 |
| Telefonica | 117 | +0.8 |

## SWEDEN

| Aug. 13 | Price Kronor | + or — |
|---|---|---|
| AGA | 111 | —5 |
| Alfa-Laval B | 187 | ..... |
| ASEA (Free) | 305 | —14 |
| Astra (Free) | 435 | —5 |
| Atlas Copco | 108 | —2 |
| Cardo (Free) | 243 | ..... |
| Cellulosa | 125 | —4 |
| Electrolux B | 273 | —8 |
| Ericsson B | 232 | —6 |
| Esselte | 360 | —5 |
| Mo och Domsjo | 162 | —9 |
| Pharmacia | 187 | —5 |
| Saab Scania Free | 420 | +20 |
| Sandvik | 410 | ..... |
| Skandia | 335 | ..... |
| Skan Enskilda | 56 | —0.5 |
| SKF | 225 | —4 |
| St Kopparbergs | 144 | —3 |
| Sonesson | 165 | —5 |
| Sven Handlesbn | 170 | —4 |
| Swedish Match | 191 | —2 |
| Volvo B (Free) | 233 | —25 |

## SWITZERLAND

| Aug. 13 | Price Frs. | + or — |
|---|---|---|
| Adia Intl | 3,500 | +5 |
| Alusuisse | 812 | +7 |
| Bank Leu | 3,750 | ..... |
| Brown Boveri | 1,650 | —20 |
| Ciba Geigy | 3,265 | —15 |
| do. (Part Certs) | 2,505 | —15 |
| Credit Suisse | 2,990 | +5 |
| Elektrowatt | 3,240 | ..... |
| Fischer (Geo.) | 890 | ..... |
| Hoff-Roche PtCts | 94,000 | —50 |
| Hoff-Roche 1/10 | 9,400 | —50 |
| Jacobs Suchard | 6,500 | —50 |
| Jelmoli | 2,550 | —250 |
| Landis & Gyr | 1,880 | ..... |
| Nestle | 6,760 | +10 |
| Oer-Buehrle | 1,450 | —50 |
| Pirelli | 349 | +1 |
| Sandoz (Br) | 8,700 | +75 |
| Sandoz (PtCts) | 1,335 | +5 |
| Schindler (Pt Cts) | 635 | —15 |
| Sika | 1,575 | +35 |
| Surveillance A | 5,190 | —60 |
| Swissair | 1,450 | —15 |
| Swiss Bank | 466 | —1 |
| Swiss Reinsce | 12,600 | —150 |
| Swiss Volksbk | 1,780 | —20 |
| Union Bank | 4,260 | —5 |
| Winterthur | 4,440 | +25 |
| Zurich Ins. | ..... | —15 |

## AUSTRALIA

| Aug. 13 | Price Aust $. | + or — |
|---|---|---|
| ANZ Group | 5.2 | —0.04 |
| Alliance Oil Dev | 1.05 | ..... |
| Ampol Pet | 2.1 | +0.02 |
| Ashton | 1.17 | ..... |
| Aust. Cons. Ind | 2.72 | +0.04 |
| Aust. Guarantee | 2.87 | —0.05 |
| Aust. Nat. Inds | 2.74 | +0.06 |
| APM | 5.00 | ..... |
| Bell Group | 7.9 | +0.06 |
| Bell Res. | 7.00 | ..... |
| Bond Corp Hldgs | 1.55 | +0.01 |
| Boral | 3.52 | +0.02 |
| Bougainville | 1.98 | +0.01 |
| Brambles Inds | 3.95 | —0.04 |
| Bridge Oil | 2.5 | +0.02 |
| B.H. Prop | 7.0 | +0.06 |
| CRA | 5.0 | +0.1 |
| CSR | 3.20 | ..... |
| Castlemaine Tys. | 7.58 | ..... |
| Coles (G.J.) | 4.1 | ..... |
| Comalco "A" | 1.98 | +0.05 |
| Consolidated Pet | 0.35 | ..... |
| Costain Aust | 1.8 | ..... |
| Dunlop Olympic | 2.56 | +0.01 |
| Elders IXL | 3.19 | ..... |
| Energ Res. | 1.7 | +0.02 |

## AUSTRALIA (continued)

| Aug. 13 | Price Aust.$ | + or — |
|---|---|---|
| Gen. Prop. Trust | 2.3 | ..... |
| Hardie (James) | 3.2 | —0.02 |
| Hartogen Energy | 2.2 | ..... |
| Herald W'yTimes | 4.85 | +0.05 |
| ICI Aust | 2.15 | +0.05 |
| Jimberlana F.P. | 0.36 | ..... |
| Kia Ora Gold | 0.16 | ..... |
| Lend Lease | 7 | ..... |
| MIM | 2.84 | +0.07 |
| Mayne Nickless | 3.15 | ..... |
| Myer Emporium | 3.4 | —0.01 |
| Nat. Aust. Bank | 4.7 | —0.02 |
| News | 7.0 | ..... |
| Nicholas Kiwi | 1.9 | ..... |
| North Bkn Hill | 2.48 | +0.02 |
| Oakbridge | 1.23 | ..... |
| Pancontinental | 1.97 | —0.01 |
| Pioneer Conc | 2.03 | +0.01 |
| Poseidon | 4.25 | ..... |
| Queensland Coal | 1.77 | +0.01 |
| Reckitt & Colman | 3.7 | —0.1 |
| Repco | 1.38 | +0.05 |
| Santos | 5.9 | +0.04 |
| Smith (Howard) | 5.56 | —0.1 |
| Thos. Nationwide | 2.26 | —0.02 |
| Tooth | 5.9 | ..... |
| Vamgas | 4.0 | —0.05 |
| Western Mining | 4.27 | +0.02 |
| Westpac Bank | 4.77 | +0.01 |
| Woodside Petrol | 1.50 | ..... |
| Woolworths | 3.55 | +0.07 |
| Wormald Intl | 3.92 | ..... |

## HONG KONG

| Aug. 13 | Price H.K.$ | + or — |
|---|---|---|
| Bank East Asia | 23 | +0.1 |
| Cheung Kong | 18.4 | ..... |
| China Light | 16.1 | —0.1 |
| Evergo | 0.92 | +0.04 |
| Hang Seng Bank | 46 | —1 |
| Henderson Land | 2.10 | ..... |
| HK China Gas | 11 | —0.2 |
| HK Electric | 8.35 | —0.05 |
| HK Kowloon Wh. | 7.25 | —0.1 |
| HK Land | 6.65 | ..... |
| HK Shanghai BK. | 7.75 | —0.1 |
| HK Telephone | 8.5 | —0.1 |
| Hutchison Wpa. | 27.8 | ..... |
| Intnl. City | 0.95 | —0.01 |
| Jardine Math | 15.6 | —0.2 |
| New World Dev. | 7.6 | —0.05 |
| Orient O'seas | 2.06 | ..... |
| SHK Props | 13.2 | +0.2 |
| Shell Elect | 1.3 | ..... |
| Swire Pac A | 25.3 | +0.2 |
| TV—B | 7.8 | +0.1 |
| World Int. Hldgs. | 2.4 | —0.05 |

## JAPAN

| Aug. 13 | Price Yen | + or — |
|---|---|---|
| Ajinomoto | 1,150 | +20 |
| Alps Electric | 1,360 | —30 |
| Amada | 798 | —2 |
| Asahi Chem | 684 | +2 |
| Asahi Glass | 810 | —9 |
| Bridgestone | 534 | —3 |
| Canon | 953 | —2 |
| Casio Comp | 1,550 | ..... |
| Chugai Pharm | 926 | —9 |
| Citizen | 401 | —1 |
| Daiei | 675 | +5 |
| Dai Nippon Ptg | 1,050 | +10 |
| Daiwa House | 785 | —4 |
| Ebara | 459 | ..... |
| Eisai | 1,340 | ..... |
| Fanuc | 7,570 | +50 |
| Fuji Bank | 1,570 | —30 |
| Fuji Film | 1,960 | +40 |
| Fujisawa | 858 | —2 |
| Fujitsu | 919 | +14 |
| Green Cross | 2,220 | ..... |
| Hasegawa | 512 | —1 |
| Heiwa Real Est | 785 | —8 |
| Hitachi | 706 | —10 |
| Hitachi Credit | 1,050 | ..... |
| Honda | 1,360 | —10 |
| House Food | 740 | ..... |
| Hoya | 1,810 | +70 |
| Itoh (C) | 422 | +2 |
| Ito. Yokado | 3,740 | ..... |
| Iwatsu | 815 | —15 |
| JACCS | 340 | —1 |
| JAL | 6,600 | —1000 |
| Jusco | 850 | ..... |
| Kajima | 445 | —5 |
| Kao Soap | 868 | +1 |
| Kashiyama | 705 | +5 |
| Kirin | 680 | +4 |
| Kokuyo | 948 | +2 |
| Komatsu | 499 | +3 |
| Konishiroku | 670 | +2 |
| Kubota | 345 | ..... |
| Kumagai | 785 | —3 |
| Kyocera | 3,810 | —70 |
| Maeda Const | 894 | —6 |
| Makino Milling | 845 | —40 |
| Makita | 941 | —19 |
| Marubeni | 334 | —27 |
| Marudai | 643 | —1 |
| Marui | 1,360 | —20 |
| MEI | 1,300 | ..... |
| M'ta Elec Works | 820 | —10 |
| M'bishi Bank | 1,560 | —10 |
| M'bishi | 600 | —3 |
| M'bishi Elect | 359 | —1 |
| M'bishi Estate | 881 | —10 |

## JAPAN (continued)

| Aug. 13 | Price Yen | + or — |
|---|---|---|
| MHI | 330 | —2 |
| Mitsui | 418 | ..... |
| Mitsui Estate | 818 | —6 |
| Mitsukoshi | 600 | —1 |
| NGK Insulators | 705 | ..... |
| Nihon Cement | 325 | +5 |
| Nippon Denso | 1,280 | —30 |
| Nippon Elect | 954 | +13 |
| Nippon Express | 482 | —1 |
| Nippon Gakki | 1,250 | +40 |
| Nippon Kokan | 148 | +1 |
| Nippon Oil | 831 | —9 |
| Nippon Seiko | 461 | +11 |
| Nippon Shimpan | 640 | —9 |
| Nippon Steel | 170 | —1 |
| Nippon Suisan | 391 | +4 |
| NTV | 10,390 | ..... |
| Nippon Yusen | 295 | —7 |
| Nissan Motor | 621 | +1 |
| Nisshin Flour | 480 | ..... |
| Nisshin Steel | 169 | +1 |
| Nomura | 1,180 | ..... |
| Olympus | 1,000 | +1 |
| Orient Leasing | 2,350 | +1 |
| Pioneer | 1,850 | +10 |
| Renown | 778 | +18 |
| Ricoh | 860 | +4 |
| Sankyo | 1,120 | ..... |
| Sanyo Elect | 408 | —2 |
| Sapporo | 465 | ..... |
| Sekisui Prefab | 803 | +3 |
| Seven-Eleven | 8,850 | —50 |
| Sharp | 805 | —4 |
| Shimadzu | 670 | —10 |
| Shionogi | 751 | —1 |
| Shiseido | 1,090 | +10 |
| Sony | 3,630 | —40 |
| Stanley | 740 | +10 |
| S'tomo Bank | 1,780 | —20 |
| S'tomo Elect | 715 | —1 |
| S'tomo Marine | 652 | —3 |
| S'tomo Metal | 151 | ..... |
| Taihei Dengyo | 540 | —10 |
| Taisei Corp | 330 | —8 |
| Taisho Pharm | 1,130 | ..... |
| Takeda | 773 | —12 |
| TDK | 4,170 | +40 |
| Teijin | 465 | —2 |
| Teikoku | 650 | —3 |
| Tokio Marine | 853 | —12 |
| TBS | 862 | +1 |
| Tokyo Elect Pwr | 2,000 | —20 |
| Tokyo Gas | 218 | +3 |
| Tokyo Sanyo | 618 | —2 |
| Tokyo Style | 1,030 | —30 |
| Tokyu Corp | 477 | —8 |
| Toppan Print | 800 | —7 |
| Toray | 496 | +1 |
| Toshiba Elect | 346 | —5 |
| TOTO | 770 | +5 |
| Toyo Seikan | 1,140 | ..... |
| Toyota Motor | 1,180 | +20 |
| Victor | 1,650 | +10 |
| Wacoal | 715 | —7 |
| Yamaha | 683 | +3 |
| Yamanouchi | 3,130 | —10 |
| Yamazaki | 788 | +8 |
| Yasuda Fire | 522 | —8 |
| Yokogawa Bdge. | 708 | —2 |

## SINGAPORE

| Aug. 13 | Price $ | + or — |
|---|---|---|
| Boustead Hldgs. | 1.47 | —0.05 |
| Cold Storage | 2.64 | —0.02 |
| DBS | 5.0 | —0.1 |
| Genting | 5.5 | —0.2 |
| Haw Par. Bros. | 2.09 | —0.05 |
| Hong Leong Fin | 2.38 | —0.05 |
| Inchcape Bhd. | 2.23 | ..... |
| Keppel Shipyard | 1.14 | —0.04 |
| Malay Banking | 5.7 | —0.05 |
| Malay Utd. Ind | 2.4 | ..... |
| Multi Purpose | 0.84 | —0.01 |
| OCBC | 8.0 | —0.15 |
| OUB | 2.59 | —0.09 |
| Public Bank | 1.37 | —0.01 |
| Sime Darby | 1.83 | —0.02 |
| Singapore Press | 5.5 | ..... |
| Straits Trdg. | 3.1xc | —0.08 |
| Tat Lee Bk | 2.43 | —0.02 |
| UOB | 3.64 | —0.06 |

## SOUTH AFRICA

| Aug. 13 | Price Rand | + or — |
|---|---|---|
| Abercom | 1.75 | ..... |
| AE&CI | 8 | ..... |
| Allied Tech | 63 | +2 |
| Anglo Am Coal | 53.75 | +1.25 |
| Anglo Am Corp | 28.9 | —0.15 |
| Anglo Am Gold | 167 | ..... |
| Barclays Bank | 17.6 | +0.1 |
| Barlow Rand | 10.5 | —0.5 |
| Buffels | 69.0 | —0.5 |
| CNA Gallo | 2.4 | ..... |
| Currie Finance | 3.85 | ..... |
| De Beers | 11.07 | +0.07 |
| Driefontein | 46 | +0.25 |
| FS Geduld | 43 | —1 |
| Gold Fields SA | 51 | +0.25 |
| Highveld Steel | 4.75 | +0.05 |
| Nedbank | 14.0 | —0.1 |
| OK Bazaars | 13.1 | +0.1 |
| Protea Hldgs | 2.15 | ..... |
| Rembrandt | 39 | +0.25 |
| Rust Plat | 16.3 | +0.85 |
| Safren | 14.25 | ..... |
| Sage Hldgs | 9.5 | ..... |
| SA Brews | 7.45 | —0.18 |
| Smith (CG) | 23.0 | ..... |
| Tongaat Hulett | 6.5 | ..... |
| Unisec | 5.00 | —0.05 |

## CANADA

### TORONTO

*Prices at 2.30pm August 13*

### MONTREAL

*Closing prices August 12*

## NEW YORK—DOW JONES

| | Aug 13 | Aug 12 | Aug 9 | Aug 8 | Aug 7 | Aug 6 | 1985 High | 1985 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Industrials | 1,318.32* | 1,314.29 | 1,320.79 | 1,329.88 | 1,325.04 | 1,325.18 | 1359.54 (18/7) | 1184.98 (4/1) | 1359.54 (19/7/85) | 41.22 (2/7/32) |
| Transport | 677.98* | 675.21 | 679.89 | 681.41 | 678.48 | 681.41 | 702.6 (17/7) | 553.03 (4/1) | 702.60 (17/7/85) | 12.32 (8/7/32) |
| Utilities | 155.52* | 154.95 | 156.06 | 155.47 | 153.11 | 154.39 | 168.81 (12/7) | 146.54 (4/1) | 168.91 (12/7/85) | 10.5 (28/4/42) |
| Trading vol | | 77.3m | 81.75m | 102.5m | 100.8m | 102.9m | — | — | — | — |

| | Aug 2 | July 26 | July 19 | Year Ago (Approx) |
|---|---|---|---|---|
| Ind Div Yield % | 4.53 | 4.52 | 4.51 | 4.71 |

### STANDARD AND POORS

| | Aug 13 | Aug 12 | Aug 9 | Aug 8 | Aug 7 | Aug 6 | 1985 High | 1985 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Industrials | 209.27* | 208.85 | 209.43 | 210.22 | 209.26 | 209.49 | 215.83 (18/7) | 128.24 (4/1) | 215.83 (19/7/85) | 3.62 (30/6/32) |
| Composite | 188.14* | 187.63 | 188.32 | 188.95 | 187.68 | 187.93 | 195.65 (17/7) | 163.68 (4/1) | 195.65 (17/7/85) | 4.40 (1/6/32) |

| | July 24 | July 17 | July 10 | Year Ago (Approx) |
|---|---|---|---|---|
| Ind div yield % | 3.66 | 3.62 | 3.69 | 4.34 |
| Ind. P/E Ratio | 12.07 | 12.28 | 11.99 | 10.51 |
| Long Gov Bond Yield | 10.64 | 10.38 | 10.26 | 12.87 |

### N.Y.S.E ALL COMMON

| Aug 13 | Aug 12 | Aug 9 | Aug 8 | 1985 High | 1985 Low |
|---|---|---|---|---|---|
| 108.97* | 108.67 | 109.05 | 109.40 | 113.49 (17/7) | 94.60 (4/1) |

### RISES AND FALLS

| | Aug 12 | Aug 9 | Aug 8 |
|---|---|---|---|
| Issues traded | 1,964 | 1,971 | 1,982 |
| Rises | 557 | 687 | 1,073 |
| Falls | 942 | 840 | 474 |
| Unchanged | 465 | 444 | 435 |

### New York Active Stocks

| | Stocks Traded | 3.00p.m. Price | Change on Day |
|---|---|---|---|
| Mid-So Util | 3,169,900 | 10⅞ | — 1¼ |
| Util Energy | 1,784,100 | 39⅞ | + ⅛ |
| Pan Am Corp | 1,242,500 | 8¼ | — ⅜ |
| MGM Film | 827,300 | 24⅞ | + ⅞ |
| Philips Pet | 825,700 | 12⅛ | + ⅛ |
| ATT | 724,000 | 21 | — ⅛ |
| Revlon | 665,800 | 43⅝ | + 1⅞ |
| Beatrice Co | 568,100 | 33 | unch |
| Kaiser Alu | 584,100 | 15 | + ½ |
| IBM | 584,100 | 126⅞ | — ⅛ |

Advances 722 Declines 679

### TORONTO

| | Aug 13 | Aug 12 | Aug 9 | Aug 8 | 1985 High | 1985 Low |
|---|---|---|---|---|---|---|
| Metals & Minls | 2,072.5* | 2,070.40 | 2,087.8 | 2,094.6 | 2190.7 (13/2) | 1896.0 (4/1) |
| Composite | 2,781.3* | 2,776.81 | 2,778.4 | 2,772.2 | 2804.6 (29/7) | 2348.5 (8/1) |
| MONTREAL Portfolio | 138.32* | 135.93 | 138.42 | 135.98 | 139.33 (19/7) | 117.09 (4/1) |

* Indicates pre-close figure

## Indices

| | August 13 | August 12 | August 9 | August 8 | 1985 High | 1985 Low |
|---|---|---|---|---|---|---|
| **AUSTRALIA** | | | | | | |
| All ord. (1/1/80) | 954.2 | 949.7 | 941.7 | 935.0 | 954.2 (13/8) | 715.3 (7/1) |
| Metals & Mins. (1/1/80) | 552.4 | 547.8 | 539.1 | 534.8 | 583.8 (20/5) | 382.5 (7/1) |
| **AUSTRIA** | | | | | | |
| Credit Aktien (2/1/62) | 85.78 | 85.26 | 85.58 | 85.86 | 105.73 (17/6) | 85.21 (24/1) |
| **BELGIUM** | | | | | | |
| Brussels SE (1/1/80) | 2318.87 | 2319.11 | 2311.24 | 2304.84 | 2327.23 (29/7) | 2080.7 (18/1) |
| **DENMARK** | | | | | | |
| Copenhagen SE (3/1/83) | n/a | n/a | 214.37 | 214.81 | 217.86 (6/8) | 158.44 (8/1) |
| **FRANCE** | | | | | | |
| CAC General (31/12/82) | 217.0 | 217.5 | 217.50 | 215.8 | 233.1 (31/5) | 180.8 (3/1) |
| Ind Tendance (28/12/84) | 123.3 | 124.1 | 124.40 | 123.4 | 130.4 (31/5) | 100.1 (3/1) |
| **GERMANY** | | | | | | |
| FAZ Aktien (31/12/58) | 478.78 | 478.30 | 48.22 | 480.47 | 502.62 (5/7) | 382.38 (3/1) |
| Commerzbank (1/12/53) | 1412.5 | 1407.1 | 1413.1 | 1414.8 | 1488.2 (5/7) | 1111.8 (3/1) |
| **HONG KONG** | | | | | | |
| Hang Seng Bank (31/7/64) | 1687.09 | 1699.43 | 1676.51 | 1673.55 | 1699.43 (12/8) | 1220.74 (2/1) |
| **ITALY** | | | | | | |
| Banca Comm. Ital. (1972) | 354.80 | 357.43 | 362.56 | 364.30 | 365.81 (7/8) | 228.56 (2/1) |
| **JAPAN**** | | | | | | |
| Nikkei-Dow (16/5/49) | 12326.71 | 12372.88 | 12401.19 | 12388.03 | 13040.10 (6/7) | 11545.2 (5/1) |
| Tokyo SE New (4/1/68) | 984.51 | 998.13 | 1001.25 | 1002.80 | 1055.91 (9/7) | 916.93 (4/1) |
| **NETHERLANDS** | | | | | | |
| ANP-CBS General (1970) | 215.7 | 214.8 | 215.1 | 215.9 | 220.9 (8/7) | 185.6 (3/1) |
| ANP-CBS Indust (1970) | 189.1 | 188.4 | 188.6 | 187.4 | 189.1 (13/8) | 147.9 (3/1) |
| **NORWAY** | | | | | | |
| Oslo SE (4/1/83) | 344.17 | 340.94 | 340.57 | 340.5 | 349.95 (5/8) | 288.18 (2/1) |
| **SINGAPORE** | | | | | | |
| Straits Times (1966) | 745.92 | 751.86 | (c) | 757.99 | 852.65 (7/3) | 717.85 (15/7) |
| **SOUTH AFRICA** | | | | | | |
| JSE Gold (28/9/78) | – | 924.4 | 902.8 | 892.5 | 1140.8 (15/4) | 838.1 (11/2) |
| JSE Indust (28/9/78) | – | 940.5 | 932.8 | 932.1 | 1038.8 (17/7) | 787.1 (7/3) |
| **SPAIN** | | | | | | |
| Madrid SE (28/12/84) | 110.27 | 110.16 | 110.81 | 110.29 | 117.41 (4/2) | 101.48 (2/1) |
| **SWEDEN** | | | | | | |
| Jacobson & P (1/1/58) | 1319.38 | 1346.42 | 1387.10 | 1383.35 | 1486.98 (11/2) | 1285.32 (9/7) |
| **SWITZERLAND** | | | | | | |
| Swiss Bank Cpn. (31/12/58) | 458.5 | 457.5 | 456.1 | 454.0 | 469.1 (8/7) | 386.7 (3/1) |
| **WORLD** | | | | | | |
| Capital Intl. (1/1/70) | – | 217.3 | 216.5 | 217.2 | 224.3 (17/7) | 184.6 (4/1) |

* Indicates pre-close figure ** Saturday August 3 Japan Nikkei Dow 12492.27 TSE 1013.86 Base values of all indices are 100 except Australia All Ordinary and Metals – 500 NYSE All Common – 50 Standard and Poors – 101 and Toronto Composite and Metals – 1000 Toronto indices based 1975 and Montreal Portfolio 4/1/83 † Excluding bonds ‡ 400 industrials § 400 industrials plus 40 Utilities Financials and 20 Transports c Closed u Unavailable

## OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 29

## LONDON

**Chief price changes**
**(in pence unless otherwise indicated)**

| RISES | | |
|---|---|---|
| Treas. 2½% il '09 | £100 | + ⅝ |
| Ascorn Comp | 7 | +4½ |
| Asprey | £13½ | + 2 |
| Barratt Dev. | 88 | + 6 |
| British Syphon | 136 | + 8 |
| Brown (Matthew) | 413 | + 13 |
| Charterho Pet | 83 | + 5 |
| Clark (Matthew) | 625 | + 50 |
| Clayform Prop | 186 | + 19 |
| Davy Corp | 115 | + 9 |
| Ford (Martin) | 45 | + 4 |
| ML Hldgs | 265 | + 15 |
| Metal Box | 483 | + 11 |
| Midland Bank | 388 | + 10 |
| Robinson (T) | 107 | + 6 |
| Rothschild (J) | 104 | + 4 |
| Saxon Oil | 460 | +120 |
| Standard Chart | 480 | + 15 |
| TI | 340 | + 6 |
| **FALLS** | | |
| AMEC | 250 | — 17 |
| Christie-Tyler | 63 | — 15 |
| Durban Deep | 797 | — 79 |
| Good Relations | 237 | — 11 |
| ICI | 654 | — 12 |
| LRC Intl | 140 | — 6 |
| Thorn EMI | 351 | — 6 |
| Unilever | £10 | — ½ |
| Vaal Reefs | £55½ | — 4¾ |

*Prices at 3pm, August 13*

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 12 Month High | 12 Month Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 23⅝ | 16 | AAR | .56 | 2.6 | 14 | 4 | 21¾ | 21⅝ | 21¾ | +⅛ |
| 17⅞ | 9¾ | AGS | | | 13 | 48 | 16⅜ | 15⅞ | 16⅛ | +¼ |
| 16½ | 9⅝ | AMCA | | | | 2 | 12⅜ | 12⅜ | 12⅜ | −⅛ |
| 21½ | 13 | AMF | .25j | | 95 | 473 | 13⅜ | 13¼ | 13¼ | |
| 50¾ | 24⅞ | AMR | | | 8 | 1288 | 49⅛ | 48½ | 48⅞ | +⅜ |
| 23 | 18⅝ | AMR pf2.18 | | 9.6 | | 9 | 23 | 22¾ | 22¾ | |
| 25⅞ | 22⅞ | ANR pf 2.67 | | 11. | | x7 | 23¾ | 23¾ | 23¾ | |
| 14¼ | 7⅝ | APL | | | | 22 | 9⅞ | 9⅞ | 9⅞ | |
| 61⅛ | 43¼ | ASA | | 24 | 5 | 689 | 45½ | 44½ | 44½ | −1¼ |
| 27 | 12½ | AVX | .32 | 2.3 | 19 | 185 | 13¾ | 13½ | 13⅝ | |
| 28⅛ | 17¾ | AZP | 2.72 | 11. | 7 | 927 | 25 | 24⅝ | 25 | +¼ |
| 60 | 36¾ | AbtLab | 1.40 | 2.5 | 15 | 1070 | 55¾ | 55⅜ | 55⅝ | +¼ |
| 25⅞ | 20 | AccoWd | .50 | 2.2 | 17 | 14 | 23 | 22⅞ | 23 | |
| 24¾ | 12½ | AcmeC | .40 | 2.7 | | 30 | 15 | 14¾ | 14¾ | |
| 10½ | 7⅜ | AcmeE | .32b | 4.1 | 10 | 11 | 7⅞ | 7⅞ | 7⅞ | −⅛ |
| 19 | 15½ | AdaEx | 1.92e | 11. | | 50 | 17¾ | 17½ | 17½ | |
| 20 | 13¼ | AdmMl | .32 | 1.9 | 7 | 9 | 17 | 16⅞ | 16⅞ | +⅛ |
| 19½ | 6⅝ | AdvSys | .53t | 4.5 | 19 | 61 | 12 | 11¾ | 11⅞ | |
| 41⅛ | 22⅞ | AMD | | | 17 | 1631 | 28¼ | 27⅝ | 27⅞ | +⅛ |
| 12⅞ | 6⅞ | Advest | .12 | 1.4 | 19 | 93 | 8⅞ | 8¾ | 8¾ | |
| 15⅞ | 8½ | Aerflex | | | 13 | 21 | 14¼ | 14⅛ | 14¼ | +⅛ |
| 49⅝ | 32⅝ | AetnLf | 2.64 | 5.8 | 16 | 777 | 46⅛ | 45⅞ | 45⅞ | −⅛ |
| 37⅜ | 18¼ | Ahmns | 1.20 | 3.8 | 8 | 2650 | 32 | 31¾ | 31⅞ | −⅛ |
| 3⅝ | 2½ | Aileen | | | | 202 | 3½ | 3⅜ | 3⅜ | −⅛ |
| 57 | 42 | AirPrd | 1.20 | 2.2 | 12 | 111 | 55⅛ | 54¼ | 54¼ | −⅞ |
| 24⅜ | 15 | AirbFrt | .60 | 2.8 | 12 | 227 | 21⅝ | 21½ | 21⅝ | +¼ |
| 2⅛ | 1 | AlMoa s | | | | 130 | 2⅛ | 2 | 2 | −⅛ |
| 29¼ | 23⅝ | AlaP pf2.74e | | 9.7 | | 50 | 28⅜ | 28⅛ | 28⅜ | −⅛ |
| 33⅜ | 27¼ | AlaP pfA3.92 | | 12. | | 28 | 31½ | 31¼ | 31⅜ | −⅛ |
| 8⅛ | 6¼ | AlaP dpf.87 | | 11. | | 55 | 8 | 7⅞ | 7⅞ | +⅛ |
| 82 | 63½ | AlaP pf 9 | | 12. | | z50 | 78 | 78 | 78 | −1 |
| 86 | 67⅛ | AlaP pf 9.44 | | 11. | | z130 | 83¾ | 83¾ | 83¾ | |
| 75 | 57 | AlaP pf 8.28 | | 12. | | z100 | 72 | 72 | 72 | +¼ |
| 16⅛ | 11½ | Alegacs | 1.04 | 7.1 | 10 | 8 | 14¾ | 14⅝ | 14¾ | +⅛ |
| 25⅜ | 11½ | AlskAir | .16 | .6 | 10 | 486 | 25 | 24⅞ | 25 | −⅛ |
| 24⅞ | 11⅛ | Alberto s | .38 | 1.6 | 19 | 76 | 24 | 23⅝ | 23⅞ | +⅛ |
| 33¼ | 26⅜ | Albtsns | .76 | 2.7 | 12 | 508 | 28⅜ | 28⅛ | 28¼ | |
| 31¼ | 23¼ | Alcan | 1.20 | 4.5 | 27 | 337 | 27 | 26¾ | 26⅞ | +⅛ |
| 38⅞ | 27⅛ | AlcoStd | .20 | 3.3 | 13 | 67 | 36⅝ | 36⅜ | 36⅝ | −⅛ |
| 32 | 18¾ | AlexAlx | 1 | 3.8 | | 189 | 26⅜ | 26 | 26 | −¼ |
| 25½ | 20⅜ | Alexdr | | | 21 | 50 | 23¼ | 23⅛ | 23¼ | −⅛ |
| 89½ | 72¼ | AllgCp | 1.54t | 2.0 | | 66 | 78¾ | 78½ | 78¾ | |
| 28¾ | 20¼ | AlgInt | 1.40 | 6.2 | | 66 | 23 | 22⅝ | 22⅝ | −¼ |
| 20¾ | 16⅛ | AlgIn pf2.19 | | 12. | | 19 | 19¼ | 19 | 19 | −¼ |
| 98 | 85 | AlgI pfC11.25 | | 12. | | 42 | 97 | 96½ | 96½ | −⅝ |
| 34⅜ | 26¾ | AllgPw | 2.70 | 9.0 | 9 | 1010 | 30⅛ | 29¾ | 30 | −¼ |
| 23½ | 15¾ | AllenG | .60b | 2.7 | 15 | 80 | 22½ | 22⅜ | 22⅜ | |
| 46¾ | 31½ | AlldCp | 1.80 | 4.2 | 8 | 1469 | 42⅝ | 42⅜ | 42⅜ | −⅛ |
| 66 | 57⅛ | AldCp pf6.74 | | 10. | | 17 | 65⅛ | 65 | 65⅛ | +⅛ |
| 115¾ | 101 | AldCp pf 12 | | 11. | | 1 | 113 | 113 | 113 | +¼ |
| 108⅜ | 100¾ | AldC pf 11.57e | | 11. | | 200 | 104½ | 104¼ | 104¼ | −½ |
| 23½ | 15¾ | AlldPd | | | 12 | 43 | 19 | 18¼ | 18¾ | +¾ |
| 60⅛ | 45¼ | AlldStr | 2.12 | 3.7 | 8 | 775 | 56¾ | 56¼ | 56¾ | +⅝ |
| 12⅜ | 4⅜ | AllisCh | | | | 55 | 5⅛ | 5 | 5⅛ | +⅛ |
| 29¾ | 21⅞ | ALLTL | 1.84 | 6.7 | 9 | 287 | 27⅜ | 26¾ | 27⅜ | +½ |
| 38½ | 28¾ | ALLT pf2.06 | | 5.8 | | 1 | 35½ | 35½ | 35½ | −¾ |

Continued on Page 29

# NYSE COMPOSITE PRICES

Continued from Page 28

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 34⅞ | 24⅝ | Safewy1.60 | | 5.1 | 10 | 1024 | 31⅝ | 31 | 31¼ | +⅛ |
| 35 | 24½ | Saga .52 | | 2.0 | 12 | 1029 | 26¼ | 25⅞ | 26 | −⅛ |
| 23 | 16⅞ | StJoLP1.72 | | 8.6 | 7 | 24 | 20¼ | 20 | 20 | −¼ |
| 11⅝ | 9⅛ | SPaul 1.20 | | 11. | | 38 | 11⅜ | 11¼ | 11¼ | −⅛ |
| 9⅜ | 3⅞ | vjSalant | | | | 395 | 6½ | 6⅜ | 6⅜ | −⅛ |
| 35¾ | 24⅛ | SallieM .16 | | .5 | 15 | 263 | 32¾ | 32¼ | 32¼ | −¾ |
| 28⅜ | 19 | SDieGs2.24 | | 8.6 | 9 | 509 | 26⅛ | 25⅞ | 26 | |
| 9¾ | 6¾ | SJuanB92e | | 9.8 | 11 | 83 | 9½ | 9¼ | 9⅜ | |
| 12 | 8¾ | SJuanR | | | 22 | 14 | 11¾ | 11⅝ | 11⅝ | −¼ |
| 49¾ | 31 | Sandr .56 | | 1.6 | 18 | 165 | 35⅝ | 35⅜ | 35½ | |
| 25⅜ | 20 | SAnitRt1.94 | | 7.8 | 13 | 15 | 24⅞ | 24⅝ | 24⅞ | +⅛ |
| 35⅝ | 23⅝ | SFeSoP 1 | | 3.2 | 14 | 758 | 31⅞ | 31½ | 31⅝ | |

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called.d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.



# AMEX COMPOSITE PRICES

*Prices at 3pm, August 13*

# OVER-THE-COUNTER

*Nasdaq national market, 2.30pm prices*

Continued on Page 27

FINANCIAL TIMES

# WORLD STOCK MARKETS

## WALL STREET

# Retail sales build case for support

THE ANNOUNCEMENT that U.S. retail sales edged up by 0.4 per cent in July provided a slight boost to stock market confidence on Wall Street yesterday. Turnover remained thin, however, and equities were again held back by weakness in the bond market, *writes Terry Byland in New York.*

The gain in retail sales was slightly better than forecast in the stock market but indicated that consumer spending might not yet be providing the driving power needed to lift the economy in the second half of the year.

At 2pm, the Dow Jones industrial average was 4.03 up at 1,318.32.

Takeover prospects and other special situations again provided the main features.

Market indices were helped by a recovery in Union Carbide, which regained $1 of Monday's fall to reach $49⅝. The company said it was temporarily halting production of the chemical Aldicarb at its West Virginia plant following last Sunday's leak of toxic gas.

The Dow transportation average recovered ground, fed by gains in some domestic airline stocks. There was heavy trading again in Pan Am, which traded $⅛ off at $8⅜. The past week has seen substantial purchases of Pan Am stock by stock market arbitrageurs hoping for a bid move.

American Airlines, $½ up at $49, said it had reached agreements with its workforce. At $56⅞, United added $⅜. Brisk turnover in Eastern, a favoured recovery stock, left the price $⅛ easier at $11⅛.

Technology stocks left Control Data to suffer alone for straying temporarily into technical default on some loans. At $23⅝, Control Data fell $1⅝ in active turnover.

IBM gained $⅛ to $127⅞, with the restraint in Wall Street's belwether stock helping to rein in the rest of the market. Also unexciting were Honeywell, $⅛ better at $64⅞; Burroughs, $⅜ up at $63; and Digital Equipment, down $⅛ at $102.

Motor Stocks, however, remained sidelined by worries over the outlook for sales in the light of last week's statistics from the major Detroit names. General Motors shed $⅛ to $67⅞ and Chrysler was out of favour again, dipping $⅛ to $35⅛.

General Dynamics gained $1 to $77⅞ after the U.S. Navy lifted the ban on new orders imposed after the investigation into contract payments. Other defence stocks were firm, and McDonnell Douglas added $⅛ to $78⅞ on news of a contract for seven airliners for Spain. Boeing firmed $⅛ to $49⅞.

TWA put on $⅛ to $22½ on the board's announcement that it is postponing its decision on the rival bids for the airline from Texas Air, from Mr Carl Icahn, and from an employee group led by the former Governor of Missouri.

CBS jumped $2⅞ to $111⅞ in light trading as Wall Street pondered the chances for a new takeover bid – although Loews group has stressed that its newly-bought stake is strictly for investment purposes.

Turner Broadcasting dipped $⅛ to $18⅞ after admitting that the expenses of the aborted bid for CBS will push it into a loss for the second quarter. MGM-UA, Mr Ted Turner's new bid target, gained $⅛ to $24⅞ awaiting the next move.

Other active features included M Lowenstein, $3½ higher at $53¼ on disclosure that it is considering the sale of its 94 per cent stake in Clark Schwebel Fiberglass.

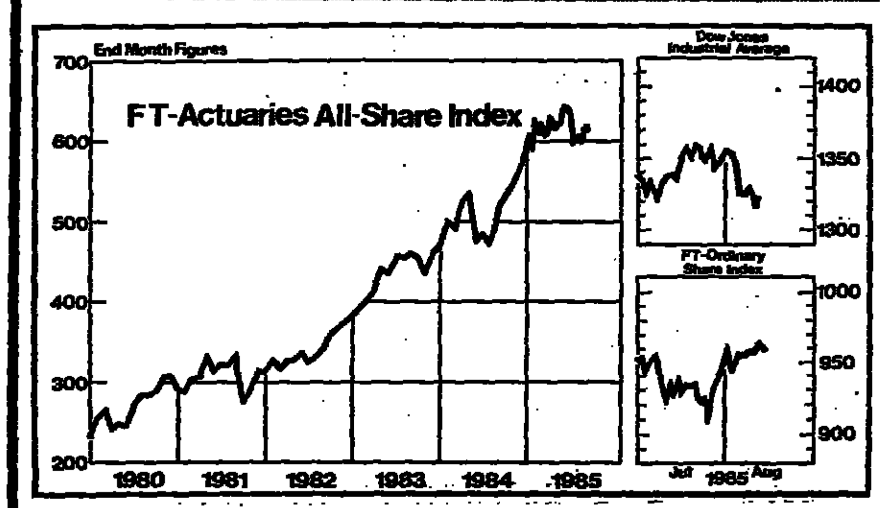
Retail issues made little response to the federal sales data for last month. Sears added $⅛ to $35⅞. The active spot was Revlon, $1 up at $43¾ on market hints that it might be a target for a bid from Richardson-Vicks, the medical products group which is itself seen as a takeover prospect. Among the utilities, United Energy Resources, which has agreed to its acquisition for $1.14bn by MidCon, edged up $⅛ to $39⅞.

But Middle South Utilities, refused a rate increase to pay for its $3.5bn nuclear power plant, fell $1⅛ to $10⅞.

On the American Stock Exchange, Wickes Company, the timber and building materials group which has recovered rapidly from its financial problems, held unchanged at $4⅞ after a 1m block of shares changed hands.

The credit markets remained subdued beneath the weight of Treasury paper taken aboard at last week's auctions. Federal funds moved above 8 per cent again, discouraging the short end of the market. Bonds were about ¼ of a point down, but turnover remained sluggish as the market waited for further evidence on the progress of the economy.

## KEY MARKET MONITORS




STOCK MARKET INDICES

| | Aug 13 | Previous | Year ago |
|---|---|---|---|
| **NEW YORK** | | | |
| DJ Industrials | 1,318.32* | 1,314.29 | 1,220.08 |
| DJ Transport | 677.90* | 675.21 | 521.26 |
| DJ Utilities | 155.52* | 154.95 | 128.28 |
| S&P Composite | 188.14* | 187.63 | 165.43 |
| **LONDON** | | | |
| FT Ord | 959.6 | 964.2 | 849.6 |
| FT-SE 100 | 1,285.1 | 1,288.1 | 1,084.1 |
| FT-A All-share | 620.62 | 620.93 | 512.23 |
| FT-A 500 | 677.13 | 678.77 | 556.38 |
| FT Gold mines | 343.5 | 349.1 | 563.0 |
| FT-A Long gilt | n/a | 10.20 | n/a |
| **TOKYO** | | | |
| Nikkei-Dow | 12,326.71 | 12,372.88 | 10,389.6 |
| Tokyo SE | 994.51 | 999.13 | 803.57 |
| **AUSTRALIA** | | | |
| All Ord. | 954.2 | 949.7 | 734.0 |
| Metals & Mins. | 552.4 | 547.8 | 470.9 |
| **AUSTRIA** | | | |
| Credit Aktien | 95.76 | 95.26 | 53.22 |
| **BELGIUM** | | | |
| Belgian SE | 2,319.87 | 2,319.11 | – |
| **CANADA** | | | |
| **Toronto** | | | |
| Metals & Minls | 2,072.90* | 2,070.37 | 1,980.00 |
| Composite | 2,781.30* | 2,776.01 | 2,340.7 |
| **Montreal** | | | |
| Portfolio | 136.32* | 135.39 | 115.69 |
| **DENMARK** | | | |
| SE | n/a | 212.98 | 196.3 |
| **FRANCE** | | | |
| CAC Gen | 217.0 | 217.5 | 162.8 |
| Ind. Tendance | 123.3 | 124.1 | 87.0 |
| **WEST GERMANY** | | | |
| FAZ-Aktien | 479.79 | 478.30 | 338.66 |
| Commerzbank | 1,412.5 | 1,407.1 | 982.5 |
| **HONG KONG** | | | |
| Hang Seng | 1,687.09 | 1,699.43 | 926.39 |
| **ITALY** | | | |
| Banca Comm. | 354.80 | 357.43 | 213.27 |
| **NETHERLANDS** | | | |
| ANP-CBS Gen | 215.7 | 214.8 | 162.2 |
| ANP-CBS Ind | 189.1 | 188.4 | 129.7 |
| **NORWAY** | | | |
| Oslo SE | 344.17 | 340.94 | 263.75 |
| **SINGAPORE** | | | |
| Straits Times | 745.92 | 751.86 | 948.87 |
| **SOUTH AFRICA** | | | |
| Golds | | | |
| Industrials | | | |
| **SPAIN** | | | |
| Madrid SE | 110.27 | 110.16 | 97.04 |
| **SWEDEN** | | | |
| J & P | 1,319.38 | 1,346.42 | 1,530.51 |
| **SWITZERLAND** | | | |
| Swiss Bank Ind | 456.5 | 457.5 | 376.0 |
| **WORLD** | Aug 12 | Prev | Year ago |
| Capital Int'l | 217.3 | 216.5 | 182.8 |

GOLD (per ounce)

| | Aug 13 | Prev |
|---|---|---|
| London | $326.25 | $326.00 |
| Zürich | $326.25 | $326.75 |
| Paris (fixing) | $328.74 | $326.46 |
| Luxembourg | $328.60 | $326.75 |
| New York (Oct) | $330.10 | $330.70 |

* Latest available figure

CURRENCIES

| (London) | U.S. DOLLAR Aug 13 | U.S. DOLLAR Previous | STERLING Aug 13 | STERLING Previous |
|---|---|---|---|---|
| $ | – | – | 1.3895 | 1.3835 |
| DM | 2.784 | 2.7975 | 3.875 | 3.8675 |
| Yen | 237.25 | 237.2 | 330.25 | 328.0 |
| FFr | 8.51 | 8.5525 | 11.84 | 11.82 |
| SwFr | 2.2975 | 2.304 | 3.2 | 3.185 |
| Guilder | 3.1275 | 3.146 | 4.355 | 4.35 |
| Lira | 1,866.0 | 1,879.25 | 2,597.0 | 2,598.0 |
| BFr | 56.25 | 56.55 | 78.25 | 79.2 |
| C$ | 1.3575 | 1.3585 | 1.8863 | 1.8809 |

INTEREST RATES

| | Aug 13 | Prev |
|---|---|---|
| **Euro-currencies** (3-month offered rate) | | |
| £ | 11⅞ | 11⅝ |
| SwFr | 4⅞ | 4⅞ |
| DM | 4⅞ | 4⅞ |
| FFr | 12⅞ | 12⅞ |
| **FT London Interbank fixing** (offered rate) | | |
| 3-month U.S.$ | 8⅝ | 8⅝ |
| 6-month U.S.$ | 8⅞ | 8⅞ |
| **U.S. Fed Funds** | 8⅛* | 7⅞ |
| **U.S. 3-month CDs** | 7.70* | 7.65 |
| **U.S. 3-month T-bills** | 7.13* | 7.10 |

U.S BONDS

| Treasury | Aug 13* Price | Aug 13* Yield | Prev Price | Prev Yield |
|---|---|---|---|---|
| 8⅞ 1987 | 99²⁵⁄₃₂ | 8.942 | 99²⁷⁄₃₂ | 8.92 |
| 10⅜ 1992 | 100¹³⁄₃₂ | 10.281 | 100²¹⁄₃₂ | 10.23 |
| 10½ 1995 | 100¹⁵⁄₃₂ | 10.439 | 100²⁵⁄₃₂ | 10.37 |
| 10⅝ 2015 | 99¹⁹⁄₃₂ | 10.674 | 100 | 10.62 |

| Corporate | Aug 13* Price | Aug 13* Yield | Prev Price | Prev Yield |
|---|---|---|---|---|
| **AT & T** | | | | |
| 10⅜ June 1990 | 100⅝ | 10.20 | 100½ | 10.23 |
| 3⅞ July 1990 | 81⅛ | 8.60 | 83⅛ | 8.15 |
| 8⅝ May 2000 | 83 | 11.10 | 83¼ | 11.05 |
| **Xerox** | | | | |
| 10⅞ March 1993 | 98⅛ | 11.00 | 99⅛ | 10.80 |
| **Diamond Shamrock** | | | | |
| 10⅞ May 1993 | 97⅞ | 11.05 | 98⅞ | 10.85 |
| **Federated Dept Stores** | | | | |
| 10⅞ May 2013 | 93.00 | 11.45 | 92.70 | 11.50 |
| **Abbot Lab** | | | | |
| 11.80 Feb 2013 | 102.00 | 11.55 | 101.632 | 11.60 |
| **Alcoa** | | | | |
| 12⅛ Dec 2012 | 101⅛ | 12.10 | 100.746 | 12.15 |

*Source: Salomon Bros*

FINANCIAL FUTURES

| CHICAGO | Latest | High | Low | Prev |
|---|---|---|---|---|
| **U.S. Treasury Bonds (CBT)** 8% 32nds of 100% | | | | |
| Sept | 75–27 | 76–02 | 75–19 | 76–12 |
| **U.S. Treasury Bills (IMM)** $1m points of 100% | | | | |
| Sept | 92.83 | 92.86 | 92.75 | 92.87 |
| **Certificates of Deposit (IMM)** $1m points of 100% | | | | |
| Sept | 92.19 | 92.26 | 92.16 | 92.27 |
| **LONDON** | | | | |
| **Three-month Eurodollar** $1m points of 100% | | | | |
| Sept | 91.87 | 91.97 | 91.85 | 91.98 |
| **20-year Notional Gilt** £50,000 32nds of 100% | | | | |
| Sept | 112–08 | 112–21 | 112–03 | 112–13 |

COMMODITIES

| (London) | Aug 13 | Prev |
|---|---|---|
| Silver (spot fixing) | 452.60p | 454.50p |
| Copper (cash) | £1,009.75 | £1,021.00 |
| Coffee (Sept) | £1,639.00 | £1,644.00 |
| Oil (spot Arabian Light) | $27.40 | $27.35 |

## TOKYO

# Dual dismay fuels fresh declines

THE BANKRUPTCY of Sanko Steamship and the crash of a Japan Air Lines (JAL) Boeing 747 pushed share prices lower in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei-Dow market average shed 46.17 points from the previous day to 12,326.71. Turnover shrank to 167m shares from Monday's 205m. Declines outnumbered advances by 482 to 263, with 155 issues unchanged.

Sanko, the leading tanker operator, went bankrupt with liabilities of Y500bn when it filed an application yesterday with the Kobe District Court for protection under the corporate rehabilitation law. The Tokyo Stock Exchange suspended the day's trading in Sanko shares.

Three major banks for Sanko – Daiwa Bank, Long-Term Credit Bank of Japan (LTCB) and Tokai Bank – came under heavy small-lot selling pressure. Daiwa lost Y30 to Y700 and LTCB Y150 to Y7,850. Tokai ended at Y990, unchanged from the previous day's finish. Their outstanding loans to Sanko stand at Y230bn.

JAL suffered a daily allowable loss of Y1,000 to Y6,600. All Nippon Airways, the second largest Japanese carrier and the fourth busiest stock with a turnover of 4.50m shares, fell Y19 to Y689.

Wakachiku Construction topped the active list with 8m shares changing hands and rose Y5 to Y720. Shokusan Jutaku Sogo, the eighth most active stock with 2.48m shares, advanced Y4 to Y368, supported by a reported government policy to lower interest rates on housing loans for individuals. Meidensha added Y17 to Y441 and Nippon Gakki Y40 to Y1,250.

Bond prices strengthened in reaction to the yen's firmness against the dollar. Major U.S. economic indicators to be released this week are expected to show sustained stagnation of the U.S. economy, prompting investor expectations for U.S. interest rates to fall.

The yield on 6.8 per cent government bonds, falling due in December 1994, dropped to 6.295 per cent from the previous day's 6.310 per cent.

## HONG KONG

A TECHNICAL reaction to recent improvements pushed prices lower in Hong Kong on reduced turnover.

The Hang Seng index, which increased 23 points on Monday, lost 12.34 to close at 1,687.09.

Hutchison Whampoa closed unchanged at HK$28, after several days of gains on the basis that it is considering the purchase of a stake in Jardine Matheson or Hongkong Land. Jardine dropped 20 cents to HK$13.60 and Hongkong Land was unchanged at HK$6.65.

## SINGAPORE

A DECLINE across a broad front developed in Singapore on increased turnover.

The Straits Times index contracted 5.94 to 745.92, reflecting generally small price reductions.

DBS was the most active stock, easing 10 cents to S$5.0, while OCBC lost 15 cents to S$8.0, Genting 5 cents to S$5.50, Haw Par 3 cents to S$2.09 and Lee Kim Tah 11 cents to S$1.10.

Hotel, property and commodity stocks also eased, with Selangor Properties one of the largest losers, falling 8 cents to S$1.60.

## CANADA

DECLINES narrowly led advances in Toronto during moderate trading.

Gulf Canada, which as expected agreed to sell major assets to Petro-Canada, traded unchanged at C$19⅞, while trading in Canada Trustco was halted pending a statement.

Montreal was marginally firmer with most indices ahead.

## EUROPE

# Rate signals lead to confusion

THE LETHARGY that has dominated the European stock markets in recent days spread yesterday to the bond market as investors detected confusing signals over the likely direction of short-term interest rates. Isolated corporate results or special situations provided the only real interest, while a number of airlines rose.

Frankfurt, which has see-sawed recently over the possibility of the Bundesbank cutting key interest rates, made a very cautious advance with a 5.4 rise in the Commerzbank index to 1,412.5.

Foreign buyers were absent as the dollar declined against the D-Mark, fuelling hopes that the central bank will trim its lending rates at tomorrow's policy meeting.

Bond prices eased in very quiet trading, with losses of up to 20 basis points and sporadic gains of 10 basis points. The Bundesbank balanced the market with sales of DM 9.6m of paper compared with Monday's purchases of DM 20.2m.

In the stock market, car makers continued to lose ground with Porsche leading the decline as the quality sports car group, which depends on the U.S. market for a large portion of sales, dropped DM 17 to DM 1,285. Daimler suffered a DM 4 setback to DM 871.

Banks were steady in the light of interest rate possibilities with Commerzbank one of the few institutions to change from overnight levels with a 40 pfg gain to DM 208.90. Chemicals were one of the few bright spots as Bayer put on DM 3 to DM 224, while BASF picked up DM 2.70 to DM 223.70.

Lufthansa benefited from a buy recommendation, taking the state airline DM 3 higher to DM 219.

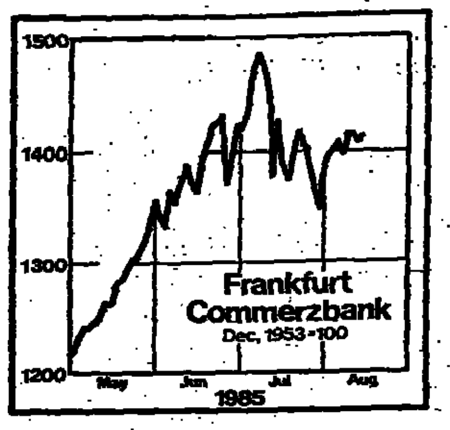
The weaker dollar clouded Amsterdam as internationals turned mixed. Unilever displayed some strength and moved against the market on results with a Fl 3 gain to Fl 329.50 after the previous session's Fl 5 drop.

Royal Dutch eased 30 cents to Fl 189.00 and Philips, due to report today, edged 60 cents higher to Fl 46.90.

KLM managed a modest 10 cent advance to Fl 59.00.

ABN scored a dazzling Fl 14 jump to Fl 517 ex-rights, a new 1985 high, ahead of Friday's results and Amro firmed Fl 1.70 to Fl 87.50 on further consideration of last week's results.

Bonds eased where changed although the current shortage of paper has afforded some support to prices. There is some speculation that the Government might come into the market with a new bond issue at the end of this month – as it did last year – since the state borrowing requirement for the rest of 1985 lies between Fl 3bn and Fl 4bn and only one more major issue this year is expected.




Light selective buying buoyed Brussels. UCB put on BFr 30 to BFr 5,050 on recent buy recommendations, while Groupe Bruxelles Lambert firmed BFr 10 to BFr 1,900 amid its announcement that it is to acquire a 51 per cent stake in Belgian publisher Editions Dupuis after a protracted legal battle with the French publishing concern Editions Mondiales.

Zurich stocks turned lower as the bond market firmed. Among internationals Swissair dipped SwFr 15 to SwFr 1,450 and Nestlé added a further SwFr 10 to SwFr 6,760.

Paris and Milan lost ground in light trading, while Madrid secured a modest advance.

## LONDON

# Slow retreat from early strength

GILTS and leading equities were initially firmer yesterday in London as interest rate optimism resurfaced in the wake of sterling's renewed strength.

The FT Ordinary share index, after showing an initial improvement of one point, gradually weakened to close 4.6 lower at 959.6, thus virtually wiping out all of Monday's rise.

Gilts featured activity in medium-dated issues. These were particularly popular as operators switched from the longs.

Gains in the mediums ranged to nearly ¼ point, but the switching operations left longer-dated stocks with falls of that amount in places.

*Chief price changes, Page 27; Details, Page 26; Share information service, Page 24–25*

## AUSTRALIA

A SEARCH for undervalued industrial issues provided the momentum for a rise to another record by the All Ordinaries index in Sydney, which firmed a further 4.8 to 954.5.

Prominent among the advances was Burns Philp, which added 30 cents to A$5.00; Australian Gas Light, up 8 cents to A$5.34; and Industrial Equity, 10 cents higher at A$7.10.

Mining leaders were also strong with BHP closing 6 cents higher at A$7.80, MIM 7 cents up at A$2.64 and North Broken Hill 1 cent improved at A$2.48.

## SOUTH AFRICA

UNCERTAINTY about the Government's statement tomorrow on possible political reforms led prices lower despite the stronger bullion price.

Randfontein fell R8 to R185, while among cheaper issues Venters lost 50 cents to R16.35. Mining financials were also weaker and industrial stocks lacked a clear direction.

## SWEDEN

# IMF study leaks dampen enthusiasm

SWEDISH FINANCIAL markets reacted nervously yesterday to the outspoken criticism from the IMF about key aspects of Swedish economic policy and in particular the country's "recent unsatisfactory performance in cost and price development," *writes Kevin Done in Stockholm.*

Publication of the normally confidential report was forced on the Government on Monday after leaks during the weekend from the IMF study had threatened to become a major political issue in the run-up to the September 15 general election.

Share prices fell sharply as stock market hopes of an early cut in interest rates diminished. The market was also depressed by disappointing quarterly results from Asea, one of Sweden's biggest industrial corporations.

Asea led the way down with a SKr 14 fall to SKr 305, followed by Electrolux off SKr 8 to SKr 273, Volvo SKr 25 to SKr 233 and SKr 4 to SKr 225.

Money markets were unsettled by the release of trade figures for July that were worse than expected.

A major concern of the IMF report is the renewed deterioration in the country's external payments position this year after the strong improvement achieved in 1983 and 1984.

Sweden had a trade surplus of only SKr 500m in July compared with surplus of SKr 1bn in the same month last year. For the first seven months of the year the trade surplus was only SKr 5.8bn compared with SKr 18.3bn in the corresponding period of 1984.

The volume of exports this year is virtually unchanged, while the volume of imports has increased by around 10 per cent, according to the Central Statistical Office.

A Stockholm stockbroker said the IMF report had put the Government in a difficult position. The Finance Minister had been forced to state categorically that the Social Democrats had no plans for increasing value added tax or for generally tightening fiscal policy in the autumn, if re-elected.

The financial markets – like the IMF – had been counting on tighter fiscal measures after the election to take pressure off monetary policy and allow an easing of interest rates.

At a confidential meeting last week the executive directors of the IMF expressed the hope that the Swedish authorities "would be able to implement a fiscal package in the autumn adequate to turn around the external position, contribute to dampening cost and price inflation expectations and return fiscal developments to the path set out in the authorities' medium-term strategy."